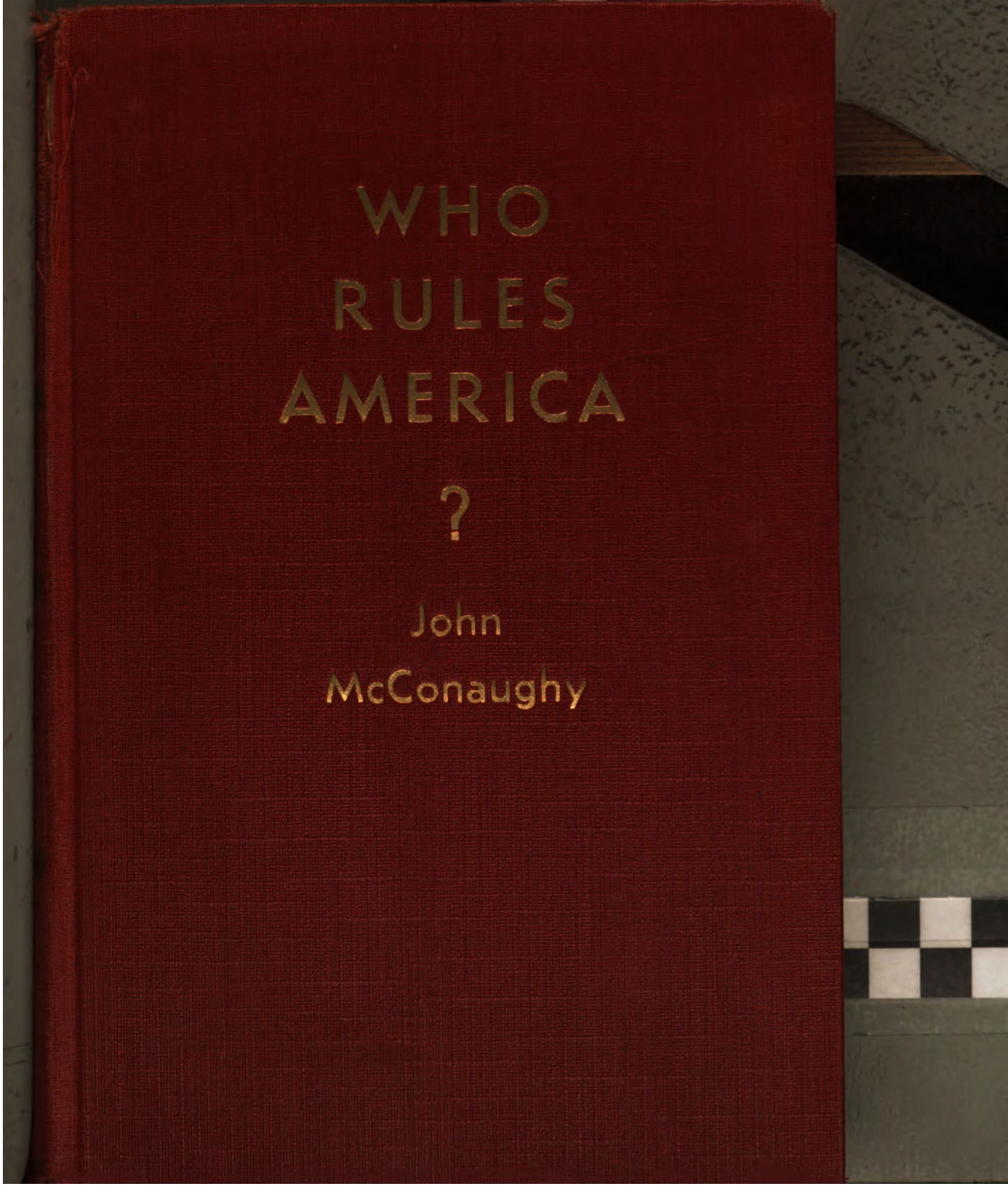
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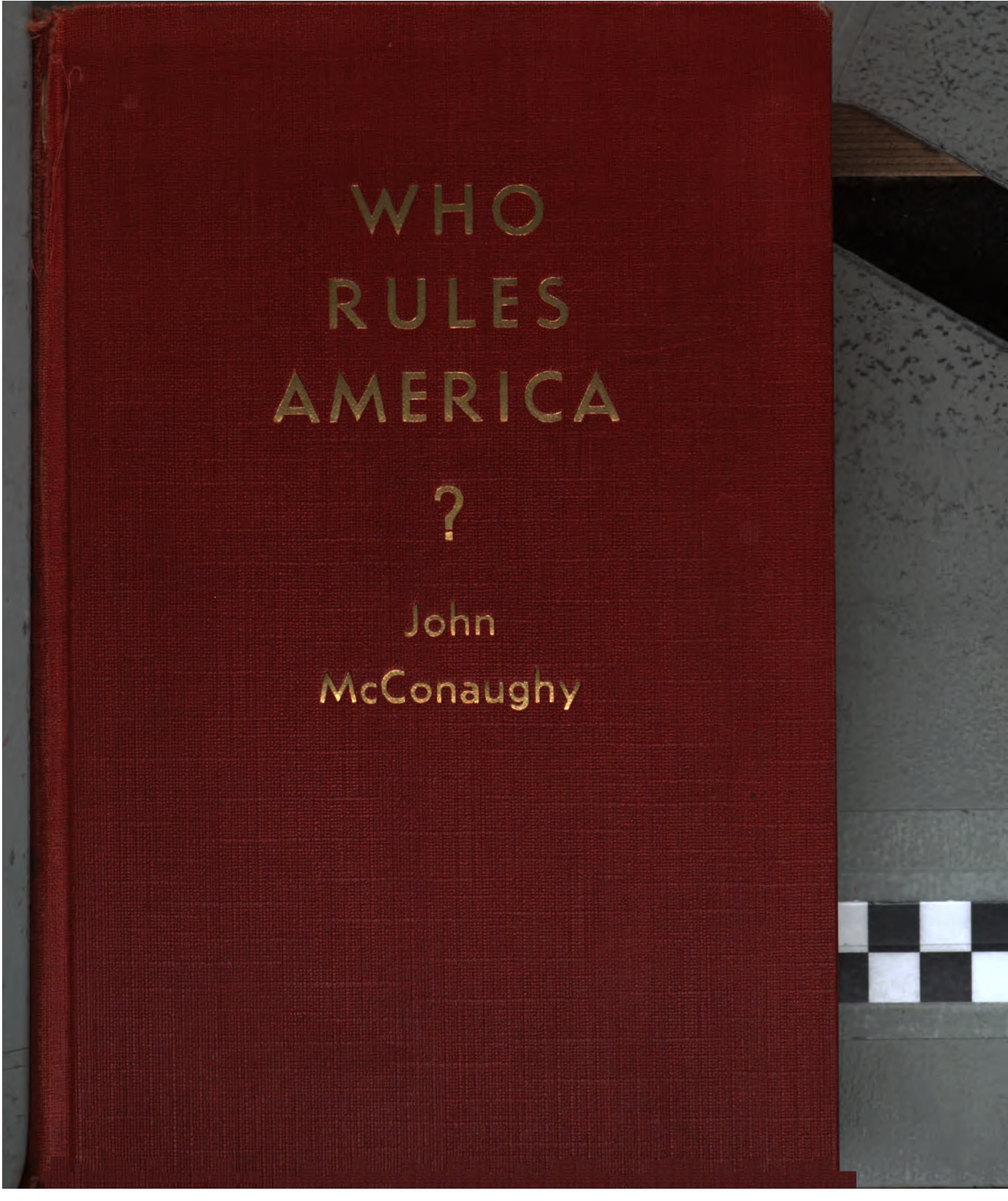
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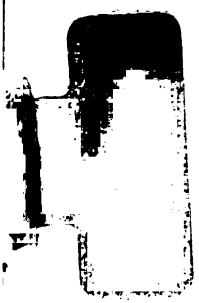

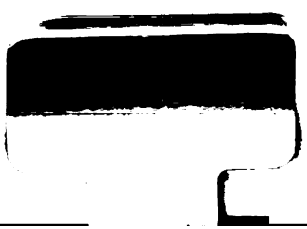

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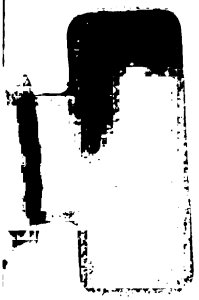

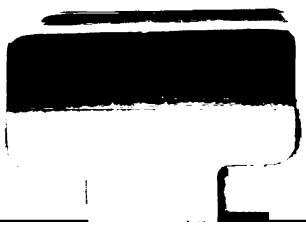

WHO RULES AMERICA ?

WHO RULES AMERICA?

A Century of Invisible Government

BY

JOHN McCONAUGHY

WITH AN APPENDIX BY

LINCOLN COLCORD

Those fundamental things of politics which inhere in ***human nature***, and cast hardly more than their shadows on constitutions.

—*Woodrow Wilson*

LONGMANS, GREEN AND CO.

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MC CONAUGHY

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CHAPTER I

INTRODUCTION IN GENERAL

"INVISIBLE GOVERNMENT" is a phrase for which it would be difficult to formulate a dictionary definition without sacrifice of accuracy to brevity. It may perhaps be best described as the political and economic control of the community — or the political control for selfish, if not sinister, economic purposes — by individual men, or groups or organizations, who are careful to evade the responsibility which should always accompany power. They operate behind a mask of puppets in politics and business, and these must take the blame in courts of law, and before the bar of public opinion, for any errors in the technique of knavery.

To this end, our law-administration and, to a certain extent, even our ethics have been twisted in order to make the servant more responsible than the master. For example, where it comes to light that a public officer has been directly or indirectly corrupted by men of wealth, or by the higher officials of a great corporation, the prosecuting authority will almost invariably ignore or immunize the true authors of the corruption in order to crush the instrument. Of the men who bribed Secretary Fall to make over to them hundreds of millions of dollars in Government oil lands, not one was convicted ; nor has their standing in the business or financial world been in the slightest degree impaired. Fall went to the penitentiary. There are scores of such cases in our history.

It is an essential part of this system that we should be taught to believe that the man who accepts a bribe is much worse than the man who tempts him to accept it. Obviously, if there is any ethical choice, the reverse is true. To consider but one plain factor, the man who takes the bribe may sorely need the money for blameless purposes. The man who offers the bribe clearly does not need the money at all or he would not offer it as a bribe. With him, it is simply a greedy investment in corruption — to get more money. (This argument, of course, does not apply in cases of professional racketeers, where the bribe-taker is really a blackmailer.)

So, the problem confronting plain men of ordinary honesty and patriotism since the first days of the Republic has been always to find ways of forcing these invisible powers into positions of visibility and responsibility. Once there, they can be dealt with — always assuming that there are enough plain men of ordinary honesty and patriotism who wish to deal with them as they deserve. Only the happily ignorant enthusiast supposes that there is in our social organization any sharp line of demarcation between the powers of darkness and the angels of light. The student and lover of his fellow-men knows that they normally develop in spiritual half-tones, weird blendings of shifting grays. He rightly suspects that in all walks of life the general run of men have strangely contradictory impulses and ideals, living side by side in the same human entity without even a bowing acquaintance with one another. Only once in every two or three centuries or so does the light or the dark side seem wholly to triumph at last in a given individual, and then we have a St. Francis, or an Ivan the Terrible.

"I am myself indifferent honest," said *Hamlet ;* "but yet I could accuse me of such things that it were better my mother had not borne me." This writer regrets that the same statement might apply to his own record ; and he

personally knows a bourgeois delicatessen proprietor, and a politically radical neighborhood-tailor, both of whom are exactly as dishonest as any captain of industry or king of finance who ever corrupted a municipal officer or the Government of the United States. Like the powers of invisible government, these men are limited in their fields of dishonest operations only by their opportunities. Not a few "reformers" have pinned this badge to their coats only because they could not convince the sinister powers that they were entitled to favored treatment in political preferment in financial spoils. It does not follow, and in many cases it is not even probable, that such men are always conscious of their true motives.

There is a bit of dialogue in the *New Arabian Nights* of Stevenson which is a useful relief from inevitably futile efforts to follow the advice of the philosopher who said, "Know thyself."

"How do you know," replied Florizel, "that I am not seeking to corrupt you ?"

"Heaven preserve me from the temptation !" cried the detective.

"I applaud your answer," returned the Prince. "It is that of a wise and honest man. The world is a great place, and stocked with wealth and beauty, and there is no limit to the rewards that may be offered. Such an one who would refuse a million of money may sell his honour for an empire or the love of a woman ; and I myself, who speak to you, have seen occasions so tempting, provocations so irresistible to the strength of human virtue, that I have been glad to tread in your steps and recommend myself to the grace of God."

It follows that, although there is a rough chronological plan, this work is less a detailed history of invisible government in our country than it is a human nature study of that phenomenon. The constant use of the words "machine" and "system" in connection with this subject springs

from intellectual laziness, or serves as an opiate for the social conscience of the individual. Organizations employed at the work of invisible government are made wholly of men, and any evil that they do must of necessity have been born in the evil inspiration of man.

This study therefore involves a number of brief excursions into critical biography. It may be said to be axiomatic that unbiased biography is a psychological impossibility. The mere fact that one man is moved at all to write about another argues an interest so keen that it could arise only from bias — for or against, conscious or unconscious. The biographer of intellectual honesty strives to offset this bias by a deliberate process of what the psychologists call "correction," *i.e.*, a conscious application of will to overcome prejudice and restore an intellectual balance. This, too, is a virtual impossibility. He is almost certain either to overcorrect or to undercorrect. What he can do is to record the pertinent facts as he finds them. This writer has conscientiously striven to keep clear of that meanest form of biographical lying : the deliberate suppression of matter which does not fit the biographer's preconceived portrait of his subject. If there has been a failure in any instance, it is due only to an oversight in research.

For the conclusions which a writer draws from the data, he is required to enter no defense. The interpretation of facts is all that gives facts any real value ; and the reader may make his own interpretations, if he disagrees with any that he finds in these pages. There is, throughout, the honest intention to call a spade a spade ; and if the reader thinks that a spade has sometimes been called a steam-shovel, or a silver trowel, he can "correct" accordingly. Almost any set of facts which deal with the motives and actions of human beings will bear at least two interpretations.

And it may be questioned whether facts are really facts

when they are considered apart from the internal conflicts, the dreams and perplexities, the emotional storms, of the men who made them. It was not an accident that with the ancient Greeks history was one of the Muses. If living is an art, then the interpretation of the lives of those who have gone before us is doubly so ; for, viewed in perspective, as a completed thing, the most fantastic life can generally be seen to have had a certain form and proportion — although it may embrace contradictory ambitions and ideals, which war upon each other, and have been perverted, exalted, established, or buried. And it is the art of history not only to reveal these in their true light, but also to follow their growth as they bring forth good or evil fruit. If the attempt to assemble these figures of our past in a comprehensive and comprehensible picture of what is, to this writer, the most important aspect of our history, is held to be not even remotely successful, no apologies are offered. Even the poorest marksman has achieved some measure of dignity when he disdains an easy target.

Since it deals only with the history of the United States as a nation, this work properly begins with Washington's administration. It is of first importance that the false gloss which our history textbooks too often spread over conspicuous figures of our past should be wiped away, so that they be seen as they were — with all of the defects and all of the virtues of quite human human beings. If we set out with the assumption that these men were pure and blameless, we must naturally conclude that all they did must have been pure and blameless. This makes it difficult to characterize many analogous actions today as unscrupulous and anti-social. It is impossible, for instance, always to defend the late Robert Morris and at the same time honestly to criticize the late J. P. Morgan.

Moreover, constant and reverent reiteration of what these men are supposed to have said and done (which they

generally did not say or do) has canonized a mass of lies and misinterpretations into "national traditions," which are constantly bedeviling counsel. As a mild example, Washington never used the phrase "entangling alliances," certainly not in the *Farewell Address,* to which it is commonly credited. (Jefferson employed it in his First Inaugural.) On the contrary, in that address (which was, incidentally, drafted by Hamilton) Washington distinctly intimated that in extraordinary circumstances we might well find it necessary to make European alliances — a prophecy which was borne out in 1917. Nor has this writer ever been able to find any authority for that absurdly ignorant argument in favor of the protective tariff — the one about the silk dress — which has been thousands of times solemnly quoted as coming from the pen of Lincoln. It is true, however, that Lincoln must be given a considerable share of the responsibility for riveting the chains of that iniquitous system to his countrymen.

More definitely germane to these pages is the popular superstition that our country was conceived in democratic ideals, and that the Government was built on democratic principles. Nothing could be much further from the truth. The people were not permitted, directly and effectively, to express their will on any great public question. The Fathers of the Constitution took every feasible precaution against such a calamity. The people were permitted to vote directly only for members of the House of Representatives, and these were not morally bound to reflect the will of the majority of their constituents — as are members of the British House of Commons. They were to be chosen because of their superior sweetness and light ; and, when elected, each was to be guided solely by his own judgment and conscience. Fifteen minutes with the Constitution, and three or four hours with *The Federalist,* will make clear to anyone that the Fathers took pains to stay just as far away from democratic principles as they dared.

Yet we recently fought a "holy war" to "make the world safe for democracy." Even university professors in classroom lectures and in published articles still refer to our rigidly monarchical representative republic as a democracy — especially when they want to point out "another failure of democracy."

These instances could be multiplied many times, but this should be sufficient to illustrate the argument. If we are to achieve anything like a clear picture of invisible government, it is a necessary if not pleasant chore to strip the spurious divinity from the altogether human motives and actions which have shaped the forces that have so far generally guided the history of our country.

And it seems to this writer that, if we view the matter fairly, it should be a source of comfort and of strength for future battle to know that we have not betrayed the Gods, and are simply no worse than our fathers were — that, in truth, the invisible government of the 1790's was, if anything, worse than is that of the 1930's.

CHAPTER II

THE FUNDING FATHERS

ON Saturday night, April 23, 1932, President John Grier Hibben of Princeton University broadcast a vigorous, but somewhat incomplete and historically inaccurate, attack on organized crime — which is at once the instrument and the purpose of invisible government.

Under the head of incomplete comes the flat statement that "racketeering is a mass attack upon various forms of business." This dictum argues a lamentable neglect of research, because the facts are that racketeering is too often a mass attack organized by business men against the community as a whole. But this writer has elsewhere dealt with this phase of the subject in detail, and he need not consider it here.

It was when Dr. Hibben said that "The very foundations of our national institutions are being undermined" that he erred historically. There is nothing repugnant to our national institutions in the idea of a group of dishonest men gaining control of the real government of the community and operating it from behind the light smoke-screen of political machinery. In fact, that is the way our Government was organized in the beginning, and it is the way it has been operated much of the time ever since. Moreover, it must be obvious to even a most superficial student of our political and social organization that, under the Federal Constitution, political parties can seldom have any other reason for continuity of existence.

A few days before Dr. Hibben went on the air, an officer

of the Daughters of the American Revolution (those incredible ladies whose solemn public utterances read like Molière and Aristophanes in their more impish moods) spoke to her fellow-Daughters in Washington with better understanding of the American tradition. She said that hungry men who marched to the official homes of their rulers to petition for redress of wrongs were guilty of "desecration."

This is a faithful reflection of the spirit of the Funding Fathers — that group of selfish and unscrupulous "aristocrats of wealth," wealth swollen by fraud and swindling, who organized and controlled the first Constitutional Government of the United States and manipulated it for the benefit of their own pockets for twelve years. The victims of these financial thimbleriggers and forgiven Tories were for the most part the impoverished and war-worn, and sometimes disabled, men who had followed Washington with blood-dyed footprints in the snow on that memorable night march to Trenton, who had had their toes frozen off at Valley Forge, and who had gone over the top of the redoubt and into the British bayonets at Yorktown. These were the "Bolsheviks" of the day — called "Jacobins" after the extreme left wing of the French Revolutionists — and they were often trying to "desecrate" something or other. Then, as now, every man who lifted hand or voice against systematized thievery in the high places was a Red, or a demagogue, or something irresponsible and awful.

In the matter of these prosperous patriots, Joseph G. Scoville, in *The Old Merchants of New York City* (1863), writes with some feeling :

"It may seem strange to many of our readers that our ancestors permitted men besmeared with the blood of Americans to settle down in our city immediately after the war, and go into business unmolested. It was so, however. It was done in many instances, and it is convincing

proof that all parties must have been tired of the war, and anxious to fraternize, when they could forgive the worst of their oppressors.

"Not a child in town even now that has not heard of the horrors of the Jersey Prison-ship. Yet one of our most successful and wealthiest merchants made an immense sum as keeper of that ship, and by starving our unfortunate countrymen who fell into his hands. He resided down in Broadway, a few doors from old Grace Church, south corner of Rector street. There he lived in famous style. He built and owned vessels, and did a large commercial business after the Revolution. It was a very frequent occurrence in after years to meet some of his old prisoners, and to be cursed by them, as the most cruel and inhuman British bloodhound that ever escaped unhung for his Toryism."

This is naturally an extreme case. It is not a pretty story, but it is one that every American should know. And it is one that he is never taught in the schools. This last is not an accident. The tentacles of invisible government reach into those fundamental educational activities which we fondly suppose we have some voice in controlling — as witness the Congressional revelations of the propaganda machinations of the big power companies in corrupting the textbooks of our schools. Students of history have long known in detail this story of the beginnings of the Republic, but the doings of the revered Funding Fathers have too many disquieting and readily perceptible parallels in our times to make the tale suitable material for the history textbooks of the million. The danger, as Dr. Hibben and many others have pointed out, is very real and very near. The enemy is within the gates, and too often within the secret places of our own hearts. Unless we know his origins and methods and rewards, and something of his virile persistence in our history, we cannot even

know whether we are fighting for or against — or on which side we really want to fight.

The master mind of this our first conspiracy in invisible government was a unique genius, Alexander Hamilton, who lived and died comparatively unmoneyed. This is only one of the paradoxes — but it is the essential one — in the character and career of this extraordinary man. That much maltreated word "unique" (some radio broadcasters go to the length of qualifying it with "very" and "most") is here used in its strong Websterian sense. He was unique — *sui generis*. Nowhere in history has this writer been able to find his prototype. The nearest approach to it was Sir Thomas Wentworth, minister of Charles I, who, just as certainly as did Hamilton, laid down his life for his ideals. The analogy between the axe-stroke on Tower Hill and the pistol-shot by the Palisades is not far-fetched. Hamilton and Wentworth were both self-declared enemies of the people, and both met death at the hands of the champions of the people. But Wentworth did not have Hamilton's genius.

It must not be supposed that Hamilton considered himself an enemy of the people. On the contrary, he held himself to be their best friend. When he said, "The People, your People, sir, is a Great Beast!" he meant it, but not in the sense in which the quotation is frequently employed. The mass of the people, ignorant and easily swayed by violent passions, must have a strong arm over them for their own good. Otherwise, they would tear themselves and everything else to pieces. Translated into terms of government, his ideal was a strong constitutional monarchy in which the representatives of the people — chosen from the upper classes — would vote supply-bills as needed, but the king would choose his own ministers and they would govern the country, primarily in the interest of the wealthy aristocracy. If this class were wealthy and

prosperous, enough of prosperity would percolate down to the common people — who were not entitled to very much, anyway.

(This theory of government is widely held by our Best Minds today ; but unfortunately, or fortunately, none of the men who have inherited Hamilton's ideas has also inherited his brains. "You have his hat, but not his head," says Rostand's *Metternich* to Napoleon's son, the weak little *Eaglet ;* and the "successors" of Hamilton usually wear his hat about as gracefully as a pea might wear a peck-measure. In general, their idea of the statecraft of financial ministry is to let inflation rush us periodically to a huge smash-up — and then blame it on the Congress. This concept of the true function of government is admirably set forth by Mr. Ted Cook, the sapient proprietor of "Cook-Coos," in the *New York American,* Dec. 16, 1932. Under a line sketch of a revolting creature with a pointed skull, a fat neck, and a boulder jaw, appeared the following letter press :

"This is Oscar G. McGluck, big business man, who has been appointed to head a non-partisan committee to make this the happiest Christmas since the invention of the cotton-gin. Chairman McGluck proposes that the Reconstruction Finance Corporation make an extra-special effort to advance huge loans to big banks during the Yuletide season, and try to do something for the railroads, insurance companies, and larger mortgage loan companies. 'Take care of the big things,' says McGluck, 'and the little things will *have* to take care of themselves.' "

Reluctantly, and with forebodings of disaster, Hamilton accepted and worked hard for the monarchical form of republican government set up by the Constitutional Convention, only because it was as close to his ideal as he could get.

These references to Hamilton's ideals are not even remotely ironic. Distrust of the people is not proof that a

man is not a political idealist. It is merely proof that he is not a democrat. Hamilton believed in authority as passionately as Paine believed in democracy. "He had no faith in the aggregate wisdom of masses of men," but that fact does not necessarily have ignoble and sinister implications. A Julius Caesar may sometimes have as exalted an aim as a John Brown. An Antoninus may — and, in fact, does — have the welfare of his people as dearly at heart as an Andrew Jackson. It is quite possible for a man to be wholly willing to die for the people without ever being willing to trust the people. A democrat might feel strongly, if regretfully, inclined to behead a Hamilton, but never to belittle him. He hated democracy only because he feared the masses — as a man inevitably fears any strong thing which he is temperamentally incapable of understanding. Hamilton would have detested a democrat like Jackson, or even Lincoln, even more than he detested a democrat like Burr, because he would have understood them much less than he understood Burr. Consider for a moment Woodrow Wilson's inspired exposition of the secret of Lincoln's greatness :

"He never ceased to be a common man : that was his source of strength. But he was a common man of genius, a genius for things American, *for insight into the common thought, for mastery of those fundamental things of politics which inhere in human nature, and cast hardly more than their shadows on constitutions.*"

If Hamilton had read those words — especially those which this writer has italicized — he would have thought that Wilson was demented, or drunk, or perhaps merely talking through his hat. Far from understanding the idea, the words themselves simply would not have made sense in Hamilton's mind. This mystic and wholly democratic insight, which made Jackson and Lincoln great politicians, dealt with forces which had no reality in Hamilton's political philosophy — until they broke out. Lin-

coln, and especially Jackson, could ride the whirlwind while Hamilton was frantically designing cyclone cellars. He knew the science of government, but he did not even *know of the existence* of the secret of those resistless impulses which suddenly move men to build or break great institutions — that shattering and often illogical logic which simultaneously sways the millions into swift and decisive action. And this with the roar of the French Revolution in his ears.

It was Hamilton's one fundamental weakness. His one great error was that he believed he could manufacture his necessary aristocracy out of the swindlers whom he made wealthy. This is the more strange in that if there ever was a true aristocrat, by instinct and temperament, it was Hamilton himself. And this is perhaps strangest of all ; for he was born on a little island in the West Indies, the son of a weak and probably dissolute British immigrant, and there is rather more than doubt as to the legitimacy of his birth. But he had a splendid French Huguenot mother. At the age of twelve years, he was writing English prose of a vigor and clarity that many of us who pose as writers would be glad to equal at three or four times that age. He became a master of finance, and of the sciences of government, and he was a bold and pragmatical political leader. He took all of these things seriously, but he took them in his stride. Never for a moment did he cease to be an aristocrat — and the badge of the aristocrat is the sword.

To understand Hamilton and his part in the skullduggery of the times it is necessary to understand that he ignored this plain fact, which he knew so well that he did not even know that he knew it — the fact that nothing but the sword makes an aristocrat. H. G. Wells adds pride, training, and knowledge, but these are not so much cofactors as they are children of the blade. Hamilton instinctively lusted for danger and fame on the battlefield ; and if property and power came with these, that was as it

should be. A little boy in the Windward Islands, he paced up and down by the sea, talking loudly to himself as he painted his dream of glory, and heard in the heavy rustlings of the palm-fronds the crashing charge of squadrons against the banners of the foe. Any foe. He wanted war.

This vision was before his eyes until near the end of his days — just around the corner from what he was doing at the moment. He may be said to have been merely marking time when he made a nation. He dreamed of conquering South America and making of that continent one vast empire. Bitterly he complained to Washington because the great chieftain kept him at the inglorious duties of a staff secretary. Washington needed Hamilton's pen far more than he needed his sword ; but the young man thirsted for command and for the shock of battle. And when, as at Monmouth, there came an opportunity, he rushed into the fight with the reckless courage of young Bonaparte at the Lodi Bridge. (There was this difference in favor of Hamilton : like the rabbit which *had* to climb a tree when it was cornered by the bull-dog, Napoleon *had* to cross the Bridge of Lodi. Hamilton's suicidal ride at the British muskets was motivated simply by the aristocrat's love of danger and of the laurels of war. There is no doubt that he would cheerfully have given up all the achievements of the years to come, and the years themselves, rather than have missed the glorious quarter-hour when he led the storm-troops of the old Continentals in that last victorious charge at Yorktown.)

From this viewpoint it is inconceivable that such a man could believe that he could make aristocrats out of dishonest sutlers and speculators. But there is another side of the picture. As noted above, Hamilton's conception of the nation made a propertied aristocracy a governmental necessity ; and as a statesman he was pragmatical : if he could not get the best material, he would take the material

at hand. Moreover, as also noticed, his genius lay in building and operating machinery of government rather than in mystical or even philosophical understanding of the forces that drive or wreck the machinery. In England, which was his model, he saw that the realm was controlled by men who held the property because they were aristocrats. They had won it with the sword and they wore their swords for all men to see. It was a profound and unthinking error to believe that he could reverse the process and make aristocrats of these crooked stock-jobbers because they would hold the property. To Hamilton, leadership and glory were everything — in themselves the great end. To these factory-made patricians, whom he turned out by the score, power existed only as a means to getting more money. There is no reason to suppose that they would not just as cheerfully have followed a Jack Cade, or a Marat, or a Toussaint L'Ouverture, if he had made it worth their while in dollars and cents. To the end Hamilton never saw this abysmal difference between himself and his followers — not even when they refused longer to follow him. They had none of the aristocrat's sense of *noblesse oblige* — the very cornerstone of Hamilton's governmental structure. Instead of establishing a solid nobility, as he had planned, he hastily threw together — and relied upon — a jerry-built oligarchy. The result at last was one of the most complete and ignominious collapses of an all-powerful political party in the history of any country. Slim, handsome, and elegant, bold to plan and bolder to execute — and not yet thirty-three years old — this was the young genius to whom Washington presented the little chore of building a nation out of thirteen suspicious States on the boggy foundation of the Federal Constitution. He was Secretary of the Treasury, and he considered himself Prime Minister. (In England, the Prime Minister always takes the portfolio of First Lord of the Treasury.) His plans were all laid long before he

took office. Briefly, he proposed to weaken the States and strengthen the central government by gaining for the latter the support of the moneyed classes. He would bring this about by funding the debts of the old Continental Government, by assuming and funding the State debts, and by creating a National Bank — to be eighty percent privately owned and wholly under private control. The moneyed classes would grow tremendously wealthy in this process, the common people would be swindled and further impoverished by a burden of taxes, but the wealthy would own the national debt and control the Bank — and they would thus be bound by interest to the Federal Government. Without paying out any actual cash for debt retirement, the financial credit of the Federal Government would be established at home and abroad. It was the plan of a statesman, loosely following the lines of similar operations which had centered around the Bank of England.

If the end — the erection of a respectworthy central government — was at least arguably desirable, the means employed were unspeakably base. Morality is not a primary concern of the statesman, or of the aristocrat. And not since Solon's friends brought off their immortal coup in real estate (through advance information on the Lawgiver's plans for the economic reorganization of the Athenian state) has there been in history a more cynical proceeding. Indeed, the parallel between the two is so exact that it is not beyond possibility that the one suggested the other. Plutarch was a favorite author of the educated in those days.

The principal outstanding obligation of the National Government was the debt to the soldiers of the Revolutionary army, and a kindred mass of small indentures for army supplies. Neither under the old Continental Congress nor in the government set up by the Articles of Confederation was there any cash wherewith to pay these debts. The soldiers had been discharged from the army with certificates

of indebtedness in lieu of money. The face value of these obligations totaled many millions of dollars, and they were practically worthless — nominally valued at about five cents on the dollar.

Hamilton gathered together a group of well-to-do backers and friends and told them that he intended to have the Federal Government redeem these certificates at par. (He had worked out the plan with Robert Morris, who was Washington's first choice for the portfolio of the Treasury Department.) It is not difficult to imagine what followed. Every decent citizen was in favor of par redemption, because these obligations were largely held by men who had fought and suffered through the long years of the struggle for liberty. But it was no part of Hamilton's plans that these needy veterans should receive the benefit of this financial operation. If these needy veterans had got the money, they would only have spent it anyway. And, moreover, they were used to being needy by this time. In fact, many of them were wandering, "hungry and naked, from one extreme part of the country to another."

Just what patriots made up the original group of those to whom Hamilton pointed the way to get-rich-quick millions is not a matter of record — nor is it a matter of so much importance as a similar conspiracy would be in these days of swift and accurate communications. Certainly Robert Morris, who was Hamilton's floor leader in the Senate, was in on the ground floor. (The pleasant fiction of Morris's unselfish and Spartan sacrifices for liberty was invented for schoolbook purposes many decades later. His contemporaries knew better. There is no doubt that if Washington had not had behind him a financier so loyal, so dexterous, and so uninhibited, he could not possibly have carried on the war. And, like a good cook, Morris did not fail to lick his fingers. He received commissions on supplies he purchased for the Government, and sold to him-

self as the agent of the Government cargoes of his own importing. But this was only the normal profiteering in high places which is the evil attendant of every war. Morris's downfall came of his failure to see why he should not apply to his own uses, in the post-war era, the same tricks he had employed for his country in war-time. The tolerant view to take of him is that he was simply a bit of the vast moral wreckage which is always the greatest cost of any war. On this head, William Graham Sumner (*The Financier and the Finances of the American Revolution*) wrote with exemplary charity:

"If he had demeaned as Superintendent of Finance to the vulgar devices of paper-mongering and bill-kiting, why should he not do it for Robert Morris ? . . . It is sad to believe that the services he rendered his country should have had such a disastrous moral reaction upon himself, but it seems forced upon us as the most reasonable explanation of his career.")

Thomas Willing, Morris's partner, also had advance information on the funding plans, along with Congressman Fitzsimmons of Philadelphia. So did Hamilton's father-in-law, Senator Philip Schuyler of New York, and the brilliant Fisher Ames of Boston, Hamilton's principal spokesman in the House.

(Although his father-in-law participated with great profit in all of the financial trickery which followed, and Hamilton himself operated through agents in New York and Philadelphia for the account of his brother-in-law, there is little reason to believe that these transactions had any sinister significance so far as Hamilton himself was concerned. He was not the type to engage in swindling and hide the operations "in his wife's name." His wife was the daughter of a wealthy family, but Hamilton himself was practically penniless when he left the Treasury Department.)

There must have been a considerable number who knew

of the plan in advance, because in and about the large centers of population, such as New York, Philadelphia and Boston, the price of soldiers' certificates began mysteriously to advance long before Hamilton sent to the Congress his famous "Report on the Public Credit," which outlined his whole funding scheme. Two months before the First Congress met, the market price in these communities had risen from five to ten cents on the dollar, and thereafter it steadily advanced.

With the public announcement, the floodgates were opened. The bankers, and big merchants, and financial soldiers of fortune, set to work in earnest to swindle the ex-soldiers and others of the common folk who held the hitherto valueless obligations of the federated Government. There were no telegraphs, no railroads, no telephones, no radios — not even a dependable postal service. Even if the people in the back-country could have received letters after many weeks, they had no correspondents in the big cities to send them the glad news. So the men with a little money were in almost as good a position to profit *after* the plan had been introduced in the Congress as were those who had advance information from Hamilton himself. Of course, they generally had to go a little farther afield for their victims — and how they went!

Fast sailing-ships and relays of fleet horses were in instant demand as the speculators and their agents began to comb the villages and the farms, and the back-country generally, for these old certificates which spelt wealth. Jeremiah Wadsworth of Connecticut, who had done himself well as Quartermaster-general and was now a member of Congress, chartered two of the swiftest vessels he could find and sent them out along the coast, dropping agents who ransacked the hinterland long before the news could reach those parts in the ordinary course of events. When this roguery was brought up in later debate on the floor of the House, with a question as to the propriety of swindling

the veterans of the patriot army, Wadsworth naturally displayed some irritation.

"The poor soldiers !" he exclaimed, "I am tired of hearing about the poor soldiers !"

Leaders of the bar and of other professions, who were generally of the correct caste, were not forgotten. A wealthy lawyer, Christopher Gore of Boston, a friend of Fisher Ames and a staunch Hamiltonian, even used the trust funds of his clients — without their knowledge or consent — to buy up all of this paper that he could find. He made the "turnover" and restored the embezzled money before any of his clients demanded an accounting. Agents of these men, as the news spread about the country, not infrequently equipped themselves with counterfeit certificates. When a man was reluctant to sell, they could easily find some pretext for examining his papers. Then they abstracted the valuable documents and substituted the worthless forgeries.

It is painful to record that not even the clergy found any fault with these proceedings. On the contrary, the ministers seem to have been quite enthusiastic about it. This was especially true in Connecticut, where the Wadsworths and the Dwights and the Trumbulls and the Wolcotts — all interrelated — had established a sort of family government. In that State, every Congregational pulpit was a soap-box for defending everything that Hamilton and his following saw fit to do.

(When Jefferson and Burr at last led the revolt of the people against the corruption of these years, these ordained liars resurrected — ignorantly, no doubt — historical memories of the feeble communistic movements in the Middle Ages and of certain antinomian sects of the early Christian era ; and they shouted the same slogans that were used against the Russians when the revolution of 1917 followed the predestined course of great revolutions and swung sharply to the Left ; they solemnly assured their congre-

gations that the real aim of the Jeffersonians was the "nationalization of women." There is no new thing under the sun.)

How much the ring-leaders and the lesser satellites profited by these operations is necessarily a matter of guesswork. A New York newspaper declared at the time that Governor Clinton of New York would show a profit of $5,000,000, Jeremiah Wadsworth a profit of $9,000,000, and Robert Morris a profit of $18,000,000. But there is nothing to indicate that the editor had evidence to establish the accuracy of these figures, and they were probably greatly exaggerated.

(It is regrettable that members of the honored profession of journalism in those days did not give us, their heirs in the Fourth Estate, much cause to be proud of them. Newspapers were run solely for the private profit of the editors, with scarcely a glance at the duty of public service — and the editors were not overnice about the cleanliness of the money they handled. Hamilton and Jefferson, while in Washington's cabinet, each had a hand-fed editor at his call. Hamilton paid his with Treasury printing jobs, and Jefferson put his on the payroll of the State Department.)

The opposition in the Congress was loud, but feeble. Senator Maclay of Pennsylvania, and the fire-eating James Jackson of Georgia, in the House, spoke violent and truthful words ; but there was nothing even resembling organized opposition to the swindle. (Interestingly enough, Maclay himself had bought up a small quantity of this "soldier paper." His uncompromising warfare against this feature of the funding plan shows either his hypocrisy or his honesty, depending on the reader's point of view.) Thomas Jefferson, a cultured gentleman with philosophical convictions about democracy, but with no passion for this cause on his doorstep, was Hamilton's colleague in the Cabinet. If he heard that honest men were pointing out that

the effect of the scheme would be to give to the patriots who had earned the money perhaps ten or twenty percent of what they had earned, and then tax them to pay to a swarm of harpies six or eight percent interest on the eighty or ninety percent out of which they had been swindled, he gave no sign.

At last James Madison arose in the House and offered his "demagogic" Discrimination Amendment. He proposed to pay to the original holders of these certificates, where they still possessed them, the full amount ; but where they had parted with these obligations, the purchaser was to receive only the market price, and the original holder the balance. This was so fair and just that it is a wonder that Madison was not lynched. The highbinders leaped on him and beat him like a carpet. Elbridge Gerry, turning his back on a stirring career as a patriotic democrat, was so indignant that he fairly sputtered. Theodore Sedgwick said that no one pretended that any fraud had been practiced, whereas the fact was that no one pretended anything else. John Laurence could not understand how anyone could question the propriety of this skullduggery, since the "men of property" were in favor of it. But it remained for Fisher Ames to make the most conclusive reply to Madison's attempt to stop Ames and his friends — Gore and Otis and the rest — from amassing illicit fortunes. He wanted to know why, after all, "the seller who sold for a trifle should not be taxed to pay the purchaser ? . . . If he has property, then the idea of necessity is destroyed ; if he has none, then his taxes will be a mere trifle."

This was the sort of logic that spoke to the deeps in the hearts of the Funding Fathers. Madison's amendment never had a chance. He did not make much of a fight for it himself. It would have been of no use. The country was wildly indignant over the swindle — that is, the great mass of the common people ; but there was not the slightest hope of defeating the plan in the Congress. This in-

dignation was not organized ; and, even today, many of our most earnest reformers have not yet learned that there is a wide gap in efficiency between popular indignation and political organization. The country was seething with democratic ferment, but there was not the shadowy beginning of a democratic party. There was only one party — Hamilton's Federalists ; and even Washington did not conceive that there could be another. Such manifestations were simply factional disturbances of the vicious and ignorant, substantially seditious. The idea of a two-party system was not at this time in the mind of anybody.

And no matter how much men like Jefferson and Madison may have disapproved of the frauds which were inherent in Hamilton's fiscal strategy, that political genius had them on the hip. They, as much as he, were in favor of establishing a national government with a sound financial structure. Even if, at this time, they had had the power to wreck Hamilton's schemes, it is virtually certain that they would not have exerted that power at the risk of jeopardizing the hope of a dependable central government. They were ready with no substitute plans for achieving the same end ; and they were, after all, not close to the people and to the sufferings of the people.

The bill was passed, and the grafters were enriched. There were sixty-four members of the House in this Congress. Professor Charles A. Beard (*Economic Origins of Jefferson Democracy*) has proved that at least twenty-nine of them had their pockets stuffed with these promises to pay the broken men who had made our country. The Senate record was much worse. Madison might as well have saved his breath.

It is natural to ask how Washington felt about all of this. He approved of Hamilton's financial plans, and it is practically certain that he did not grasp the real truth of the by-products of those plans. Washington did not have an agile mind, excepting in the field. Although it has

recently become somewhat fashionable to belittle even his military talents, Washington was a good soldier. No general in history but would have been proud to include in his record that brilliant campaign on the Delaware, which Frederick the Great declared to be the finest in military annals. But great soldiers are often like many great chess players — singularly slow-witted in other matters. Hamilton combined with a swift and supple intellect one of the most persuasive personalities of his day. (He made a fool of Jefferson at about this time, and Jefferson was no fool.) So long as his plans appeared to be sound and constructive, Hamilton would not have had the slightest difficulty in holding Washington's support, or in deceiving him as to the true implications of the fact that these swindlers were suddenly building mansions and blooming out in expensive coaches.

Moreover, even if Washington had been at all approachable, as he was not, the bitterest and bravest champion of the people would have hesitated to come to him with this sordid tale. There was about him a bigness of spirit and a simplicity of honesty which even today the least credulous must accept with faith and the most cynical with reverence. He was almost the only great leader in history who held, at the end of his life, the reverential respect of all but a handful of his countrymen, from the highest to the lowest. (Andrew Jackson was one of the few who could never bring himself wholly to acquit Washington of complicity, or at least of moral responsibility, in this assault on the property and the liberties of the people.) Washington's name is never coupled with that of any contemporary. He towered above all of them in the basic essential of true greatness : character — character as clean and firm as rain-washed rock. Indeed, the simile of the rock is well chosen ; for in those many seasons of despair between Bunker Hill and Yorktown, the character of Washington must have seemed at times to be truly a manifesta-

tion of the Rock of Ages : the strength and the refuge of our patriot sires.

What Conrad wrote negatively of his poor *Lord Jim* might have been written to make clear the portrait of the true Washington :

"He stood there for all the parentage of his kind, for men and women by no means clever and amusing, but whose very existence is based upon honest faith, and upon the instinct of courage . . . an unthinking and blessed stiffness before the inward and outward terrors, before the might of nature, and the seductive corruptions of men — backed by a faith invulnerable to the strength of facts, to the contagion of example, to the solicitations of ideas."

This was the Father of Our Country — and one wonders what he would think of us now.

A little matter of his negotiations with Robert Morris for the lease of the latter's house in Philadelphia, after the Capitol had been moved from New York, is probably as good a key as any to Washington's attitude in these times. Washington had agreed that the Federal Government should pay those expenses which he might incur strictly as President, but had declared that he would not accept a salary. Morris saw no reason why the expenses should not be anything that one pleased ; so, when Washington was looking for a house, he offered him his own Philadelphia residence at the then staggering rental of $3500 a year. As Washington was paying in New York only $2000 a year for a finer house, this "extortion" came as a shock. But Morris held out, at last reluctantly reducing the figure to only $3000 a year. Washington wrote to his secretary that he could not understand Morris's attitude in the matter. Of course he couldn't. How could a man of Washington's simple, copybook integrity and unostentatious but passionate devotion to country, understand his friend Morris's single-hearted spryness in pursuit of dollars ? It was beyond his comprehension.

It could hardly have been real mental exercise for a man of Hamilton's intellectual force and adroitness to drive this splendid old war-horse in blinders. That he could always make Washington see black as gray, and gray as white, there is no reasonable doubt. What almost amounts to proof of it is contained in a letter which Hamilton wrote to Washington's secretary after the death of the First President — the whole letter being but an excuse for this anxious postscript :

"In whose hands are his papers gone ? Our very confidential situation will not permit this to be a point of indifference to me."

At rare intervals, however, the old war-horse reared unexpectedly, and gave these Best Minds a terrible scare. Then they abused him like a pickpocket. Such a situation was now rapidly approaching.

Having taken the first successful step in pillaging the needy veterans with one hand, and the Treasury of the United States with the other, Hamilton and his band of patriots turned to the next move — the assumption by the Federal Government of the debts of the several States. This promptly struck a dangerous snag. Virginia and others of the Southern States had honorably paid off the major part of their obligations. The Northern States, notably Massachusetts and Connecticut, were still heavily in debt. The Southern States could not see why they should be asked to pay Federal taxes for the discharge of the debts of States which should have taken care of their own debts.

While there was some merit in the contention of the New England States that they had borne a disproportionate share of the real cost of the war, the main point was that the Morris and Ames and Schuyler families and the others of the "corrupt squadron" had bought up these obligations by the bale, and had bought them for a song — when they were not acquired by fraud. There are

records of cases where the Funding Fathers went to the length of taking out fraudulent administration papers on the estates of ex-soldiers and others who had died without heirs, coolly putting the money in their own pockets. Assumption was a plum not less delectable than the supply indents and soldiers' certificates, and it could not be allowed to slip through their fingers.

"By God, it must be done !" declared Robert Morris.

Owing largely to the opposition of the Southern States the measure was beaten by two votes in the House. Then Hamilton got very busy. He pointed out to Jefferson that Assumption was an essential part of the whole scheme of financial establishment, that the foreign credit of the nation would have no standing if the obligations of the several States were not met, that the New England States would certainly secede from the Union — and wouldn't the banks of the Potomac be an excellent place for the new Capitol ? The deal was made really on the basis of this last offer, and Jefferson afterward declared that Hamilton had "deceived" him. Hamilton had done nothing of the sort. He had merely outbargained him.

"Two of the Potomac members (White and Lee, but White with a revulsion of the stomach almost convulsive) agreed to change their vote," wrote Jefferson. It might well have made White sick at his stomach. Jefferson at this time seems to have had a sturdier digestion, albeit he abstained from undue boasting as to his own share in bringing about this change of vote. It is often the misfortune of ineffectual idealists to have others agree with them for revolting reasons.

So the Assumption "job" was put through the Congress, and another peril to the young nation was averted. For it must be understood that whenever the honest indignation of honest men threatened to interfere with the swindling operations of the Funding Fathers, they openly declared that the attempt to form a nation was doomed to

failure, and that they might as well break up the federation forthwith. In the campaign of 1796, Oliver Wolcott, Hamilton's protégé and successor in the Treasury Department, wrote back home that he hoped that the Northern States would at once secede from the Union in the event of Jefferson's election.

This Assumption business had one notably tragic repercussion. Patrick Henry, burned out, broken, and impoverished in his tireless struggle for liberty — an old man at fifty — became involved in one of the great companies which promoted the notorious "Yazoo land swindle." These lands — which were claimed by Spain, the United States, Tennessee, Georgia, and the Cherokee Nation — were, in the case of Henry's company, granted by Georgia. Every member of the majority in the State Legislature voting for the grant, save one, had been bribed. Georgia agreed to take payment in the floating paper of the State. Henry found himself in possession of a large quantity of this trash when it became certain that Hamilton would succeed in his scheme for par redemption. Henry lost all interest in the Yazoo swindle and cashed in this paper at about nine hundred percent profit. He became a staunch Hamiltonian overnight, and his own children refused to speak to him.

One of Henry's associates, who had apparently been left out in the cold, came to Jefferson with the whole story; and the latter, incensed at the Henrys' political desertion, immediately sat down and wrote to Washington as follows:

"They expected to pay for the lands in public paper at par, which they had bought at half-a-crown a pound. Since the rise in the value of public paper, they have gained as much on that as they would have done by investing it in the Yazoo lands; perhaps more, as it puts a large sum of specie at their command, which they can turn to a better account."

If Jefferson thought that this communication would discredit the veteran patriot, he again made a highly inaccurate estimate of Washington. The old chieftain, whose memory for the virtues of men was generally better than his attention to their errors, remembered nothing but those earthquake years when Henry had been an unshaken pillar of the cause. He offered the sick old man a place in his Cabinet, and even the post of Chief Justice of the Supreme Court. Henry declined both appointments, and retired to his plantation, where he soon died.

Perhaps this sort of human wreckage is among the most damning of all the indictments which may be drawn against this philosophy of government by dishonest privilege. Men such as Henry devote a lifetime to the thankless strife against the enemies of liberty. Their followers are few and complaining. Their spirits faint in the wilderness, and they seek a short-cut back to the flesh-pots of bondage. For there is no money in warfare on the Money Power. Old age and poverty move relentlessly down upon the bodily habitation of the warrior soul — and then along comes the tempter with a Yazoo land scheme.

Nothing now remained, to establish fraud and trickery as the ethical basis of a new "aristocracy" and a new nation, but the creation of the National Bank itself.

By this time the mass of the common people — who are never quite so stupid as the Best Minds invariably give them credit for being — were practically foaming with rage. Jefferson, at last beginning to see through Hamilton and into the forces behind him, quit thinking about democracy and began seriously to entertain the notion of working at it. He and Madison and other leaders assailed the Bank measure on Constitutional grounds : there were no powers in the Constitution which permitted the Federal Government to set up a Bank of the United States.

In the eyes of the Funding Fathers, this was little less

than treason. These men were "selling America short" just as the great "bull market" of 1791 was getting into full swing — when Bank scrip soared to fantastic figures and private bankers got two and one half percent a month, and even one percent a week, for call money.

"Ships are lying idle at the wharves, buildings are stopped, capital withdrawn from commerce, manufactures, arts, and agriculture to be employed in gambling, and the tide of public prosperity, almost unparalleled in any country, is arrested in its course, and suppressed by the rage of getting rich in a day. No mortal can tell where this will stop ; for the spirit of gain, when once it has seized a subject, is incurable. The tailor who has made thousands in one day, though he has lost them the next, can never again be content with the slow and moderate earnings of his needle. Nothing can exceed the public felicity, if our papers are to be believed, because our papers are under the orders of our scrip men. I imagine, however, that we shall hear that all the cash has quitted the extremities of the nation and accumulated here."

This is not the language of a commentator on the conditions prevailing in the recent years of grace, although it fits those conditions perfectly, even to the attitude of the newspapers in 1928–29. It is a quotation from a letter written by Jefferson from Philadelphia a hundred and forty-two years ago. Of course, the same sort of panic followed.

The Bank measure went triumphantly through both houses of the Congress, and the victory of Hamilton seemed complete. But while the bill was still pending, a rumor blew like an Arctic breeze through the ranks of the Best Minds — Washington was considering a veto ! It was incredible but true. The "vaporings of the rabble" would have carried no weight with Washington against Hamilton's solid arguments, but when men of the standing of Jefferson and Madison attacked the bill *on Constitu-*

tional grounds — that was something altogether different. There must be no illicit tampering with the Constitution, the slender cord that held Washington's beloved country together.

(There can be little honest doubt that the measure was unconstitutional. The Constitutional Convention expressly refused to give to the Federal Government power to charter banks and corporations. In support of the Bank bill was invoked for the first time the "doctrine of implied powers," *i.e.,* that any powers held by the sovereign to be vitally necessary to the functioning of sovereign government are necessarily implicit in the act creating the sovereign. This bit of serpentine reasoning ignores the fact that the Constitution is a broad but rigid grant of specific powers by the several States to the Federal Government, and that any powers not so specified are strictly reserved to the States. If there had been a hint of such a thing as "implied powers" at the time of ratification, the Constitution would have been vigorously and unanimously rejected by the thirteen States. Fisher Ames virtually admitted in a private letter that the argument was specious.)

The Funding Fathers were shaken with wrath and panic. The giant's shadow in which they had so long safely operated was about to be moved away, exposing them to the light and to the shafts of their enemies. They could not believe it. But it was a fact that Jefferson and Madison were constantly being consulted by the President ; and when Washington asked him to write out his arguments in detail, Madison himself believed that he was being asked to prepare a veto message.

Washington was damned in heaps. The drawing-rooms and coffee-houses buzzed with stories which explained how, and for how much, he had sold out to the powers of disruption. Having themselves the minds of pawnbrokers and the morals of pickpockets, the Funding Fathers

could not conceive that Washington could be moved against them by any but a money motive. One of the least unpleasant of the tales invented by the Best Minds in those few days of terror was that the President had bought up a tract of land on the Potomac, and that his veto of the Bank measure was to be advance payment for the support of Jefferson and Madison in having the new capital city built on his land.

However, Washington did not let them down. Hamilton prevailed, and the President signed the bill — and there was feasting and rejoicing in the tents of the chosen.

(These feastings must have been vastly entertaining. According to private letters of the period, what passed for the quintessence of dinner-table wit, in mixed company, would hardly be permissible bar-room conversation among decent men today. Claude G. Bowers, in *Jefferson and Hamilton,* has collected and set forth a few lovely samples.)

Then the list of the first Board of Directors of the new Bank was published, and on it were the names of those Funding Fathers who had most assiduously worked for and hugely profited by this structure of iniquity — Willing, Ames, Wadsworth, Laurence, George Cabot, Rufus King, William Bingham, Charles Carroll of Carrollton, and other trusty leaders of the "corrupt squadron." Willing, the partner of Robert Morris, was president.

It was an error. The powers of invisible government had made themselves too plainly visible. Incidentally, in the actual erection of this Bank as a going concern, Hamilton introduced a deft bit of dishonest financial manipulation which has been repeated through the generations down to Kreuger and Insull. The capital was $10,000,000, of which the Government of the United States was supposed to put up one fifth. There was no $2,000,000 in the Treasury for that or any other purpose, so Hamilton deposited bills on bankers in Holland for that amount. This method would have been quite sound if the bills

had been quite sound, and if they had gone to Holland and had been honored by the Dutch bankers. But in the same instant that they were deposited, Hamilton, in the name of the Government of the United States, borrowed from the bank $2,000,000, and took back the bills on Holland, giving in place of them unsecured notes of the Government, to be paid off at the rate of $200,000 a year. Thus the Bank was made to appear before the country with the Government as a heavy investor, when it was in fact a heavy debtor. If this First Bank in its early years had been as cynically and dishonestly mishandled as was the Second Bank in the same period of its life, the institution might well have failed, and thereby displayed the Government of the United States as a common swindler. It was drawing dividends on stock for which it had not paid.

The Bank parade of the Funding Fathers was the capsheaf to public indignation and marked the definite parting of the ways between Jefferson and Hamilton. The people demanded political action and they meant to have it. Jefferson was virtually forced up into leadership by the tremendous pressure from below. Washington managed for a time to keep both men in his Cabinet by refusing to see that their differences were vital; but at the last, he went over wholly to Hamilton. Again, he could not understand. Jefferson was becoming a "factionist." Trying to form a democratic party, against the Federalists of those days, was as clearly constructive sedition as is attempting to form a communistic party against the abuses of our day. Like our radical elements of today, Jefferson and Burr and the "Jacobins" of those years were "trying to wreck our institutions," not a few of which could have done with a little wrecking. Yet it is as much a conscious effort on the part of most of us to admit that economic radicals have a right to political action, as it was for the Funding Fathers to concede political existence to the poisonous believers in the rights of man. They would

not even entertain the outrageous notion that such rights existed. In this, as in many other directions, they have an astonishing lot of company today.

Our "criminal syndicalism" statutes, in force in a number of States, are designed simply to strangle effective protests of the robbed and the oppressed. But the Funding Fathers did not bother with any such subterfuges. They boldly passed the notorious Sedition Act, making it a crime to voice any objection to thievery in the high places. This measure was intended to blanket all that had gone before, and to make the Treasury of the United States safe for future burglary. It was another error, but viewed from their standpoint it was a necessary measure. Aside from actually illegal looting of the public funds, there was no intention on the part of these patriots to abandon legalized thievery, just when they had all of the legalizing machinery in their hands. Among other things, it was Hamilton's custom to borrow money from the Bank when there were sufficient Government tax funds available to meet Government requirements. Challenged in the House on these and cognate matters, Hamilton was sustained by a vote of thirty-four to seven. Of the sustaining thirty-four, three were Directors and twenty-one were stockholders in the Bank.

(A detailed analysis of the votes on all of these important measures in the early Congress — with special relation to the speculative security holdings of members of Congress — may be found in the first chapters of Professor C. A. Beard's *Economic Origins of Jeffersonian Democracy.*)

Whisky was the drink of the masses in the country districts of the Middle and Southern States, so a heavy excise tax was placed on whisky to aid the service of the funded debt. This resulted in a serious rebellion in Pennsylvania — and again Hamilton was stirred with dreams of glory. But the rising was suppressed without glory. When a tariff on a certain import had been decided upon, the big

merchants received advance information. As soon as they had stocked up, the tariff was enacted. They were thus enabled to add the tariff charges (which they had not paid) to the selling price which the consumer paid. Variations of this technique have been popular in our country ever since.

The Sedition Act and much of this later roguery were the fruit of the administration of the footless Adams. About the best thing that can be said for the second President of the United States, aside from his undoubted patriotism and almost savage honesty, is that he seemed to feel instinctively that the President, to be successful, must be the political leader of his party. But he refused to act on instinct, to recognize party or faction officially. He had no talent for political leadership ; and of course Hamilton did not intend to abdicate. At his bidding, even Adams's Cabinet officers deceived their chief again and again. Hamilton did not have the political foresight to see that in thus betraying the President of his party he was inevitably cutting the throat of his party.

(All of our greatly dynamic Presidents have been great enough politicians to be the true leaders of their respective parties. Cleveland and Roosevelt and Wilson, as examples, dominated their parties because they were great politicians. The failures have been feeble or unskilled politicians. Coolidge had had enough experience in politics to know his own limitations ; so he played for, and won, the success of the inert. He was what G. K. Chesterton probably would call a mud-puddle President — he seemed to reveal great depths by the simple process of being shallow and keeping very still. But he did not have enough authority to appoint even his own Cabinet officers as he liked ; and he lacked the courage and imagination — or the political integrity — to use his great powers for the checking of the wild inflation in his administration, which brought the country to its present sorry condition. And

as for "a business man in the White House," it is bad enough to have a President who follows the advice of business men. The job of being head of the American Government and the job of being head of a business corporation have nothing essential in common. Their points of resemblance are extremely superficial. Government is not a business. It is first an art, and second a science. When Wilson, for instance, sent for the Best Minds, it was for the purpose of telling them what to think and do, not to let them tell him. Nearly every banker in the country was against the Federal Reserve Bill, but Wilson did not let that fact bother him at all. He knew that nearly every banker in the country was far more a pawnbroker or a confidence-worker than a financier, and that in the broad field of fiscal legislation the bankers' opinions, even when honest, were likely to be ignorant and worthless. The Federal Reserve Act, though far from being fool- or burglar-proof, is now generally recognized as an outstanding triumph of financial ministry.)

Thus, in Adams's administration, the thieves fell out, and Jefferson set earnestly about the building of an organization which would have the political strength to turn them out. (Already, in the campaign of 1796, he had made remarkable progress in this direction.)

Washington, half-blind and gray, had long since retired to Mount Vernon, with his memories of Valley Forge and his misgivings for the future. The sacred figure of the national hero no longer stood between the combatants. There was no doubt about the feeling of the majority of the voters as to "this monarchical rubbish" and the assorted larcenies of the pseudo-aristocracy of stock swindlers — a majority despite the crippling property qualifications for the suffrage which then existed in a number of the States. But, as always, the problem was organization.

The army of Republicans (later called Democrats) was made up largely of small farmers, small tradesmen, and

skilled mechanics — a considerable proportion being small farmers. With nothing at all corresponding to our ideas of transportation — not even passable roads — and only the most uncertain methods of communication, the organization of these scattered *revoltés* from one end of the land to the other was a huge and difficult problem.

There were, however, everywhere men of energy and will who took up the cause and became Jefferson's loyal and vigorous lieutenants. Conspicuous among these was Charles Pinckney of South Carolina, resourceful and eloquent, who had been looked upon as one of the best young sabers of the "corrupt squadron," and whose family and friends were charter members of the Funding Fathers. (This writer does not pretend to explain a fact such as this one. It is enough of wonder that it is a fact — one of those "fundamental things of politics that inhere in human nature." It may be that every man at some time in his life strolls — by accident, perhaps — down the Road to Damascus, and what he thinks of the Vision may turn on nothing more important than the momentary state of his digestion. Professor Ulrich B. Phillips, in the *American Historical Review,* has a less fanciful explanation. He thinks that Pinckney was simply a disgruntled and dishonest political opportunist — one of that type of "reformer" mentioned in the preceding chapter. Inasmuch as the Republican Party swiftly became an engine of invisible government, probably Professor Phillips is right. On the other hand, in our times, Elihu Root, after serving the greater part of a lifetime as adviser to "malefactors of great wealth," suddenly startled the Constitutional Convention of the State of New York with a measured and incisive denunciation of invisible government.)

The Funding Fathers were overwhelmingly strong in the large centers of population, such as Charleston, Baltimore, Philadelphia, New York, New Haven, Providence, and Boston. Their strength was more compactly placed

than that of the Republicans. And they had plenty of money for corruption. So the outlook was none too bright for a victory of the democracy in 1800, when, in the spring elections of that year, the eyes of the leaders of the people were turned in blank unbelief upon New York City.

Here, in Hamilton's own citadel — the home of invisible government and the barracks of the "corrupt squadron" — there had suddenly blazed up a miraculous beacon of hope for decent men throughout the land.

Let the reader prepare himself for a shock.

It was Tammany.

CHAPTER III

TAMMANY TO THE RESCUE

SHORTLY after the Republicans had carried New York — City and State — in the spring elections of 1800, a devout old sea-dog, Commodore James Nicholson, considered that political miracle from every angle and finally came to the conclusion that God must be fighting on the side of the Jeffersonians. To his son-in-law, Albert Gallatin (soon to become one of the few finance ministers in our history who could be fitted into the chair of Hamilton without great quantities of newspaper padding), he solemnly wrote :

"That business has been conducted and brought to an issue in so miraculous a manner that I cannot account for it but from the intervention of a Supreme Power, and our friend Burr the agent. The particulars I have, since the election, understood, and they justify my suspicion. His generalship, perseverance, industry and execution exceed all description so that I think I may say he deserves anything and everything of his country."

The picture of a Tammany victory as a beneficent act of God, with an Aaron Burr as the Divine instrument, is somewhat startling to us today. But it was accepted with delirious joy by a majority of our forefathers a hundred and thirty-odd years ago. From Massachusetts to South Carolina the party of the people received the news with incredulity, and then with tumultuous demonstrations. A champion of the "Jacobins," a miracle-worker, had crushed Hamilton in his own stronghold, and had taught

his comrades throughout the land the habit of victory. In the months that followed, every Republican felt that Burr indeed deserved everything of his country.

Yet there was nothing miraculous about it — unless the courage which never contemplates defeat, the imagination which never fails to find the road to victory, the energy which never knows rest, and the organizing genius which never overlooks the most minute detail — unless these combined in one man constitute a miracle, the New York victory of Burr was a natural, almost an inevitable, result.

For Burr was the outstanding political genius of his day — the genius who could organize victory out of the political remnants his opponents had treated with contemptuous neglect. Hamilton was a child beside him. In the skillful manipulation of men, necessary to the success of a politician in high office, Hamilton was unexcelled. But then he was largely unopposed. Burr knew how to build from the ground up, without the prestige of a national hero and a successful party to back him. (Jefferson was at least his equal, and probably his master, in the larger aspects of political intrigue.) Hamilton's ideas of government have unfortunately persisted ; but Burr's actual machinery has survived. He took the Tammany society, turned it into a political organization, and taught it the methods of victory. By those same methods it has been governing New York City — a unique and enduring manifestation of invisible government.

In assigning himself the seemingly hopeless task of breaking the Federalist throttle-hold on New York, Burr saw that there were two distinct but closely related measures to be carried through — the one economic and the other political. The small tradesman and independent artisan classes, which were his strength in the city, needed banking facilities. There were only two banks in New York — a branch of the Bank of the United States and Hamil-

ton's Bank of New York. When one of the "lower orders" required financial accommodation, it was given to him as a favor from on high, at the instance of some silver-buckled, powdered-haired "aristocrat" — a sort of Oh-yes-quite-a-worthy-fellow-for-his-station-in-life-and-quite-sound-on-politics system of banking. It gave the Funding Fathers a terrific political bludgeon.

Burr's solution of this problem was characteristic of the smooth dexterity which was one facet of his many-sided and contradictory make-up. Incidentally, he was never forgiven for it. A recent yellow-fever outbreak had been attributed to a tainted water-supply — at least, this was one of the many explanations. So Burr had little difficulty in getting through the Legislature a charter for a company to distribute "pure and wholesome water." He slipped into the charter a beautiful little joker which provided that any surplus funds of the water company might be used for any purpose not contrary to the laws and the Constitution.

There were, from time to time, sporadic attempts to distribute water through wooden conduits. Also there was instantly created without delay the Bank of the Manhattan Company with a capital of $2,000,000. The fury of Hamilton and his crowd was epic. They called Burr every name they could invent. But they had to take it out in Billingsgate. The charter had been drawn by the best lawyer at the New York bar (Burr himself) and it was unassailable. Thus the Bank of the Manhattan Company was launched on a long career of banking integrity and community usefulness. Burr's immediate reward was defeat for reëlection to the Legislature.

(It does not lie within the scope of this work to essay the charting of the innumerable cross-currents of the personal and factional politics of those days ; it would make a book in itself. In this case, probably many of

Burr's own followers suspected him of planning to become a Funding Father type of banker.)

This was in 1799, and Burr went cheerfully and zealously on to the next step in his work of organizing victory in 1800. Aside from the lower orders of the cities, the strength of the Jeffersonians lay with the scattered farmers, stretching out to the frontiers. In the course of his service in Albany, Burr had done much to bring these elements together in something like a political consciousness of class interest. When one of these backwoods farmers was mentally fumbling with an idea for agrarian legislation, Burr wrote the bill for him and supported it with vigor and skill. (He was an extremely effective orator and quick-witted debater. He invented and used the intimate, earnest style of public address, as against the dramatic, declamatory school which was then so popular.) Thus, the small farmers of the back-country came to look upon him as their leader.

Then he turned to the final and most difficult phase of his work — the political organization of the Republican elements of New York City. Some ten or fifteen years earlier, certain groups of these classes had formed the habit of meeting at Martling's Tavern, and out of these meetings had grown the Tammany Society, a sort of militant social organization which was a retort to the Society of the Cincinnati, ex-officers of the Continental Army, who were the political janissaries of the Funding Fathers. Burr was really the first great Boss of Tammany, but was himself never a member. He was a member of the Cincinnati, a "Catiline," a "traitor to his class." (Burr was rated as a real aristocrat. On one side he came of mildly distinguished English ancestry, and his maternal grandfather was the great Jonathan Edwards.) Three or four of his ablest lieutenants were prominent officers of Tammany, and Burr seized on the Society as the nucleus of his organization.

He set to work on the regimentation of the voters through methods which have never been bettered. They are still followed today by the abler leaders of the Tammany organization, and by astute political organizers everywhere. First he caused lists to be prepared, lists which included the names of all the voters of the wards — a regular card-index. Each man on these lists was made the subject of an individual study as to his occupation and business connections and obligations, his financial standing, his social affiliations, and personal habits and likes and dislikes, his business needs, and his social and financial and political ambitions — in short, every scrap of available information was assembled. Then Burr's lieutenants were in a position to apply the exact forms of pressure and persuasion calculated to win him over. It might be discovered that when it was important to enlist Johnson, the man to see was Jones, who could certainly persuade Robinson to work successfully on Smith, and Johnson would certainly yield to Smith. Did Johnson feel that he was entitled to a better job ? One would be found for him. Was he complaining about taxes ? The Republicans were pledged to reduce them. Was he afraid of banking pressure ? The Republican Bank of the Manhattan Company would stand by him. Was his snobbishness wounded by the greater snobbery of the Funding Fathers ? He could associate himself with Burr and the Clintons and the Livingstons. There was something to offer and something to be got from everyone. The well-to-do blockhead was pressed to contribute money, and the energetic intelligent was asked to give time and service to the party.

In the process of this machine-building the generalship of Burr and his lieutenants occasionally took on curiously modern forms. Prominent among the sub-leaders was a sternly determined and fanatical democrat named Abraham Bloodgood, a staunch Tammany man, who was engaged in the leather goods business in that part of the old

Fourth Ward which is still known as "the Swamp," a then marshy district lying in the neighborhood of Gold and Frankfort streets just south of the Brooklyn Bridge approach. Under the iniquitous franchise laws of the day, only a freeholder in landed property was permitted to vote in charter elections. Bloodgood assisted members of these disfranchised citizens to buy small parcels of real-estate in the upper Fifth Ward, where land was least costly. The vote was certain to be close, and it was imperative that every man of the right complexion be enabled to come to the aid of the party. When the day of trial was at hand it was discovered that there were still some thirty sturdy Republicans in the Fourth Ward who could not vote.

Bloodgood gravely and legally deeded his store property to the loyal thirty in a joint partnership — and the Fourth Ward was carried by twenty-five votes.

Needless to add, he recovered his property after the election, and after his death his son, John M. Bloodgood, carried on in the family tradition. It is related of him that on feast days he went about with two huge baskets, collecting from the tables of his well-to-do acquaintances choice viands which he distributed among the poor ; and he always had his hand in his pocket. It was perhaps inevitable that he should fail in business. But Tammany looks after its own. Bloodgood was made a magistrate, in which office he attracted attention in many ways — particularly in refusing to punish pretty girls who plied the oldest trade in the world. He told them to "fix themselves up and be good girls" thereafter. (This Bloodgood system was probably more efficacious, and certainly less nauseating, than the current procedure of accepting the purchased and perjured testimony of unspeakable stool-pigeons to send to jail innocent and guilty alike, when they will not or cannot pay blackmail.)

The result in 1800 was what might have been expected

in the light of latter-day experience with these methods, but it must be remembered that Burr invented them. The Republicans swept New York and laid Hamilton flat on his political back — the greatest humiliation of his career.

In the shame and anger of defeat Hamilton saw but one way to retrieve his lost prestige — a way incredible to us who are accustomed to make our political triangulations on the base of the sanctity of our united nationhood. This was never a definite end, nor a serious obstacle, where Hamilton was concerned. Mystic love of his accidentally adopted country did not figure in his political calculations. He had no more patriotism than a pirate. An adventurer from the Islands of the Spanish Main, he regarded these United States primarily as a politico-military tilting yard, a springboard for high adventure. He still had an ace up his sleeve — an appeal to the ingrained rule-or-ruin policy of the Funding Fathers. He could steal New York from the Republicans, or New York could lead the New England States in secession from the Union. Only by this light is it possible to give calm understanding to his amazing letter to John Jay, the Federalist Governor of the State. The city victory of the Republicans insured a Republican majority in the Legislature, and thus a solid Electoral vote for Jefferson in the fall. So five days after the election Hamilton wrote to the Governor :

"The moral certainty is that there will be an anti-Federal majority in the ensuing Legislature ; and the very high probability is that this will bring Jefferson into the chief magistracy, unless it be prevented by the measure which I shall now submit to your consideration, the immediate calling together of the existing Legislature . . . in a lame-duck session to defeat the will of the voters by ordering special elections to choose Presidential Electors by Congressional districts. . . I am aware that there are weighty objections to the measure but . . . in times like these in which we live, it will not do to be over-scrupulous. It is

easy to sacrifice the substantial interests of society by a strict adherence to ordinary rules." Only by these means, which might well have precipitated a civil war, could they prevent "an atheist in religion and a fanatic in politics from getting possession of the helm of state."

Aside from the ineffably corrupt effrontery of this proposal it is worth noting that Hamilton saw, long before the event, that Jefferson would owe his election to Burr and Tammany.

Governor Jay never dignified this letter with a formal reply. He merely noted on the back of the communication: "Proposing a measure for party purposes which it would not become me to adopt." This almost contemptuous dismissal is the measure of Hamilton's fall in his first great tilt with his rival. He was a discredited leader.

Although his leadership was irretrievably smashed, Hamilton's diagnosis of the political situation was realistic and accurate. Outside of New York, Jefferson made a poorer run by seven electoral votes than in 1796. The twelve votes of New York were decisive. Jefferson and Burr were tied at seventy-three votes, Adams polled sixty-five, and Thomas Pinckney sixty-four.

This was the last election prior to the adoption of the Twelfth Amendment. Jefferson and Burr were tied for the Presidency because each elector cast a vote for two men without indicating a preference. Philip Freneau, brother of Jefferson's hand-fed editor, wrote to his brother's employer on the day before the balloting that he had persuaded one of the South Carolina electors to cast only one vote, and that for Jefferson. But something slipped, and the South Carolina electors cast eight votes for each man. The election was thus thrown into the House, which was Federalist, but was limited under the Constitution to a choice between Jefferson and Burr, the loser becoming Vice-president.

The majority of the Federalist leaders, nearly all save

Hamilton who now had but little influence, would have preferred Burr. He was a city man, a Northerner, and a skilled man of affairs (all but his own), and he was not a member of the Virginia clique. They tried to make a bargain with Burr, and they were bitter when he would not even listen to their proposals. Richard Bayard, the Federalist leader in the House, afterward wrote to Hamilton in sullen anger over Burr's "miserable and paultry part" in thwarting the plans of the Funding Fathers to wreck the Republican Party. Burr would entertain no bargain and "was determined to come in as a Democrat." Worse than that, "we have been counteracted in the whole business by the letters he has written to this place. . . The means existed of electing Burr, *but this required his co-operation.* By deceiving one man (a great blockhead) and tempting two (not incorruptible) he might have secured a majority of the States. He will never have another chance of being President of the United States ; and the little use he has made of the one which has occurred gives me but an humble opinion of the talents of an unprincipled man."

It is worth while to analyze the reasoning in this letter. Burr had played a miserable and paltry part because he had —

1. Refused to betray his party principles.
2. Refused to betray his party leader.
3. Refused to listen to any proposals of the Federalists.
4. Refused to "co-operate" in corruption to gain the Presidency for himself.
5. Written letters which stiffened his party Congressmen into an unbreakable *bloc* for Jefferson.

Conclusion : He was an unprincipled man of small talents.

This method of logic has been too frequently adopted by historical writers in dealing with Burr. Even Claude G. Bowers (*Jefferson and Hamilton*) feels that there was something fine and noble in Jefferson's calm aloofness in

Washington during the balloting, but something sinister about Burr's aloofness in Albany, four hundred miles away.

(These and similar strictures apply generally only to the writers of history textbooks, who for generations have given the young of the land a false picture of the men and events of those fateful days. Burr's biographers, no matter what their bias at the outset, have almost invariably become his partisans. Parton went to battle for him nearly a century ago. Isaac Jenkinson, early in this century, became so furious over the past injustices done his subject that his biography reads like a campaign document. And even in the most recent work, that of Samuel H. Wandell and Meade Minnegerode, virile indignation at times breaks through the almost dainty detachment of the style.)

And Jefferson did not remain "aloof" to the end. He made a deal with the Federalists, a deal which Burr had refused to consider. There is strong evidence that the Sage of Monticello agreed to let the Funding Fathers name the Secretary of War, and he also promised to keep in office certain Federalist Collectors of Customs. In his diary, which was not published until 1830, Jefferson totally denied that he had ever bargained with the Funding Fathers, but this statement simply cannot be believed. Against it is the overwhelming sworn documentary evidence of the leaders of both parties ; and, more crushing, the corroborative evidence, set forth in contemporary documents, that he carried out these bargains.

The picture of Jefferson as the fearless and uncompromising paladin of democracy is as inaccurate as are most of our commonly accepted historical portraits. He publicly endorsed Paine's famous pamphlet, *The Rights of Man ;* but when Washington reproached him, he said that the publicity was a printer's error, and he was very apologetic about it. Whether or no this excuse was an im-

promptu afterthought affects but little the significance of the incident. This is not the stuff of embattled crusaders. His dealings with Burr were from the first colored by an urbane duplicity. He publicly courted Burr as an ally, making the first moves in that direction while privately he treated the New York leader with quiet treachery. In one anxious communication, he begs Burr to pay no attention to a letter which may be shown to him, a letter in which Jefferson was alleged to have written, very venomously, his private opinion of Burr. It was a forgery, he said — but there is no record of his ever having made any effort to run down and expose the forger. Nor does he make clear how he came to know of its existence. It is altogether possible that the document was a true autograph.

Burr ignored the incident. If he doubted the sincerity of Jefferson he gave no sign. His does not seem to have been a highly suspicious nature. His own intriguing was at times as devious and ingenious as Hamilton's or Jefferson's, but never so dark. Jefferson, for example, was wont to sign important State papers as Washington's Secretary of State, and then privately stir up his hand-fed editor to attack these same measures in the columns of his sheet. Burr was many different kinds of man, but not this kind.

There is not the slightest evidence that Burr, in this election, ever considered himself anything but a candidate for the Vice-presidency. No matter what his instabilities and insincerities were, Jefferson was the leader of the party, and his claim to the Presidency was paramount. His earlier writings, his final though much belated break with Hamilton, his gallant effort against the Funding Fathers four years before — these had made him the focal point of the forces of protest. Even if, at the worst, he had been nothing more than a symbol, he was a symbol to be honored — just as a flag or an altar is honored for mighty things which have nothing to do with material composition

or intrinsic worth. Had all of Jefferson's efforts been but demagogic (which they certainly were not), they were yet gestures which were all-important, the catalyzing agents of the suspended elements of revolt, presaging all the victories to come.

So, on December 16, 1800, Burr wrote to General Samuel Smith, the Republican leader in the House :

"It is highly probable that I shall have an equal number of votes with Mr. Jefferson ; but if such should be the result, every man who knows me ought to know that I would utterly disclaim all competition. Be assured that the Federals can entertain no wish for such an exchange. As to my friends, they would dishonor my views and insult my feelings by any suspicion that I would submit to be instrumental in counteracting the wishes and expectations of the people of the United States. And I now constitute you my proxy to declare these sentiments if the occasion should require it."

It would be supposed that a letter so loyal in feeling and so lofty in tone, declaring an attitude so faithfully maintained, would always be given prominence as depicting beyond peradventure a noble side of Burr's character. The facts are that it is often ignored, and that, even when quoted, it is occasionally given a fantastic interpretation to reflect discredit upon its author.

It must be remembered that the dangerous enemies of invisible government seldom escape calumny ; and for that reason it might be well at this point to dispose of some of the persistent vilifications of Burr which have continued down to the present day ; or, to put it more mildly, it is necessary to remarshal and re-evaluate some of the known and admitted facts. For Burr in all his implications is inevitably anathema to that blend of Puritan and pawnbroker mind, the legacy of the Funding Fathers, which may be called New-Englandism and which has so strongly tinctured much of the history-writing of the past century.

It mistakes a certain dour timidity for the romance of chastity, and exalts a trembling worship of security into a virtue. It invented a sort of nasty-nice refinement and called it culture. None who was reared in that environment, no matter what his mental capacity, wholly escaped its influence. In literature it sneered at *The Fall of the House of Usher,* and was shocked by *The Outcasts of Poker Flat,* and outraged by the mighty cadences of *Leaves of Grass ;* and in politics it reeled with horror at the thought of an "unrefined" rail-splitter's being President of the United States. (Emerson afterward emerged from it sufficiently to make apologies for his early small-minded estimate of Lincoln.) Inevitably this type of mind would find terror in the contemplation of Burr, who lightly loved one woman after another ; and, if he ever thought about security at all, held it to be something which should perhaps be arranged for cripples and old people.

Moreover, that was truly the age of young men, young men who dreamed great and impossible dreams — and made them come true. Pitt was Prime Minister of Great Britain when he was barely out of his teens, and Napoleon was dictating peace treaties to defeated kings and emperors at an age when the modern university graduate would not dare hope to be exalted to the post of sales-manager. These boys were busily trying to carve out empires ere the senile age of twenty-five crept upon them and numbed their faculties.

Naturally, the Funding Fathers, who wanted to settle down with their loot and teach the young the sanctity of accumulated wealth (no matter how accumulated), were frightened by this type of youth — the dreamer who can no more give up his dreams and live than he can give up his breath and live. His only health, his only sanity, is in following the dream to the end. Hamilton gave up his dreams, and his spirit was dead long before Burr's pistol-shot released it from his body. If his mind also was not dead, it was dy-

ing. This is the only charitable interpretation of that act of political insanity — his incredible pamphlet against President Adams. (Personal hatred entered into Hamilton's feud with Adams — as into his sniping at Burr, which at last led to the fatal duel. Being unable to deny its essential truth, Hamilton could never think of an effective repartee to old Adams's savage taunt — "the bastard brat of a Scotch peddler.") In his last years all the fires of the gallant spirit was gone, leaving only the acrid venom of a man who, by his own choice, has missed his destiny. He had given hostages to security, and these held him fast.

This feeble and essentially unsafe philosophy of life has become part of our national tradition, and it is by its distorting light that Burr has been too often judged. Overmuch thought about chastity leads to sexual excesses, and overmuch thought about security leads to insecurity, as certainly as overmuch thought about health leads to doctors' bills.) The Funding Fathers feared Burr with good reason. His attitude toward life, his life itself, was a blasphemy against their most sacred gods. And he was a virile, skillful, and dangerous political leader. He had established the Bank of the Manhattan Company, and had beaten Hamilton into the dust. He was always strong and generally loyal, so he must be assailed as being unstable and treacherous.

One of the favorite methods has been to assume that his instability in love affairs was an index to the general instability of his character. This is either incredibly naïve or plainly dishonest. If it had been true of all the makers of history, from Pericles down to present times, there would be nothing much between the covers of history books excepting the fly-leaves and the end-papers. Yet Gamaliel Bradford (*Damaged Souls*), himself a New Englander, is so obsessed with it that the whole of his superficial essay on Burr is filled with the rustle of petticoats. In common with many other historians, Bradford feels that

Burr did not "do right by women." Nearly everyone seems to have thought so, excepting — strangely enough — the women themselves. There were no devastating scandals in Burr's sentimental journey. When he passed on he seems to have left behind him only memories that were gracious.

It was another case with Hamilton — also as polygamous as an alley-cat. Even if it were true, which it is not, that Burr had fifteen love affairs to Hamilton's every five, when a man goes beyond (say) two or three mistresses arithmetic is hardly a commendable guide to comparative morality. The important fact is that in Hamilton's case the paths of dalliance led to the greatest woman-scandal in the history of the Republic. One of his mistresses, a married woman, put him in a position to be blackmailed. The pressure became so strong that Hamilton was faced with the choice between the utter loss of political honor and the public facing of scandal. He chose the latter course, and it took courage of a high order to do it. But Hamilton's courage never failed him in obvious matters. What Burr would have done in similar circumstances is not a profitable field for speculation. None of Burr's women would have dreamed of trying that game with him.

If it had been Burr, every schoolboy today would know the story. For Hamilton it has been suppressed, or hastily glossed over in such a way as to make it appear that he was really a hero. Hamilton had to be kept on his pedestal. His public confession of sin appealed to the New England type of sanctimonious swindler ; and, far more important, no matter what his peccadillos were, he was the trusty champion of predatory wealth. His sins must be forgotten or made to seem virtues. Burr was the champion of the people, and his sins must be magnified or invented.

To return to a moment to Gamaliel Bradford, whose essay may be taken as a clinical exhibit. He declares that Burr's "cynical" attitude toward women was at one with

his "cynical" attitude toward the law, a science of which he had no philosophical understanding. In evidence, Bradford places Burr's famous epigram : "Law is anything which is boldly asserted and plausibly maintained." Surely it should have been obvious to a scholar that only a man with a singularly firm grasp on the history and philosophy of law could have produced an epigram so perfect. When John Marshall took the tremendous step of embodying in the fundamental law an unsound political argument by embracing "the doctrine of implied powers," he acted wholly upon Burr's maxim. But Marshall was a Federalist and was carrying out the policy of weakening the power of the States in the interests of the Funding Fathers who controlled the central government. Much more cynical — but the human truth — was Marshall's observation that the decisions of the Supreme Court, in interpretation of the Constitution, will unavoidably be colored by the political convictions of a majority of the court. (His exact words were, in connection with the controversy over the constitutionality of the Bank charter : "The judgement is so much influenced by the wishes, the affections, and the general theories of those by whom any political proposition is decided that a contrariety of opinion on this great constitutional question ought to excite no surprise.")

Again, it was Jefferson who made a bargain with the Federalists, and Burr who brusquely refused even to listen to their proposals. So it is Burr who is still accused of having trafficked with the Funding Fathers. Burr's noble letter was *not* a noble gesture, because he was an ignoble sort of man. He was an ignoble sort of man, because he never made any noble gestures. This system of circular logic recalls the American wife of an Italian who remarked that she was in favor of Fascism because all of its opponents were self-seeking and dishonest politicians. The objection was made that Professor Salvemini, for example, bore at least the reputation of being a scholar and a gentle-

man. "Oh, he is," agreed the lady. Then she shook her head sadly. "The only thing that makes me distrust him is the way he keeps on fighting the Fascists."

This writer has never been able to win a debate conducted under these rules of disputation. Part of the price that Jefferson paid for the Presidency was his agreement to keep in office the unpopular Federalist Collector of Customs in Philadelphia. And he stood to the bond, despite the great and proper indignation of the Philadelphia Republicans. (This post and certain others were, and still are, considered part of the legitimate spoils of party warfare.) When this fact is mentioned at all it is usually adduced as evidence of Jefferson's greatness in opposing the spoils system. Burr voted against an appalling Republican "ripper" bill, which would have placed the Federal judges of the land at the instant mercy of any party temporarily in power, and might have wrecked for decades what little there was of integrity in the Federal judiciary. This is always brought in as evidence that Burr had sold out to the Federalists. And so it goes.

Like Hamilton and the Funding Fathers, Jefferson was politically afraid of Burr. Many Republicans considered the New Yorker the real leader of the party by natural ability, and he was commonly spoken of as the "heir apparent." But in the mind of Jefferson, and in the plans of the "Virginia Junto," which aimed to run a Virginia corner on the Presidency, Jefferson's bosom friend Madison was the heir apparent. Moreover, Jefferson owed his election to Burr — twice over. So, quite humanly, he treated Burr with black ingratitude in the matter of patronage, and paid court to the Clintons and the Livingstons in order to undermine Burr's political power in New York. (This method was not always happy in results. So much money mysteriously disapeared from the office of District-Attorney during the tenure of Edward Livingston that the latter decided that the free air of New Orleans

would be better for his health.) From these intrigues Jefferson went on to out-and-out treachery. He and Hamilton and the Clintons and the Livingstons made common cause against Burr and defeated him for the governorship in 1803 — as weird a collection of bedfellows as was ever tucked in together in the political lodging-house.

Viewed from a broader angle, the alliance ceases to be strange. As has been noted, Jefferson was not the democrat of our campaign orators. He had caught a glow from the fire of Rousseau and Tom Paine, and he could write with passion, but he had no true passion for the proletariat. Burr was at least a rudimentary democrat in spirit, for he really loved men — *qua* men. He had the gift of "mixing," without sacrifice of dignity, and his idea of luxury was to make people happy. Jefferson's conception of democracy was government by the agrarian interests, by which he really meant the landed gentry, of which class at its best he was an admirable example. In the face of all the evidence of history he actually believed — and wrote — that farmers were honest simply because they were farmers. He had all the farmer's distrust of the "city slickers," who were Hamilton's strength, but he shared with Hamilton a distrust of the urban masses. He believed that a government that rested upon a powerful agrarian class was more to be desired than Hamilton's government by shifty, paper-trading stock-jobbers and speculators. He was doubtless right — but he was not democratic.

Indeed, if Hamilton had had but the wit to see it, he and Jefferson were much more nearly natural allies than natural enemies. It was to the landed gentry as represented by Washington and Jefferson and men of that type that Hamilton should have turned for his indispensable aristocracy. Kind, generally courageous, and comparatively honest, they were of the stuff to make a permanent nobility, as they had proved in England. It is interesting to speculate on what might have been the result to present

civilization if, in the greatest agricultural nation of the western world, there had grown up a powerful and deeply rooted landed aristocracy as a counterpoise to the rise of industrial feudalism. But all that Jefferson and Hamilton had consciously in common was their fear of Burr — the man who could manufacture invincible political machinery out of nothing, the creator of a unique type of invisible government, one that had its roots in the hearts of the masses.

Burr was a strangely mixed and extraordinary genius, and a human brother. It might be said of him that he seemed to have everything and could not do anything with it. He was a brilliant and successful soldier, a brilliant and successful lawyer, a brilliant and successful political leader. He could do anything but make an enduring success of anything. Washington gave him many of the hard and dangerous and inconspicuous jobs that came along in the war, and he handled all of them like a born soldier ; but he was a source of annoyance to Washington. Because this twenty-year-old boy had proved himself to be one of the most gallant warriors, and probably the best tactician and disciplinarian, in the Continental Army, he had a very low opinion of his chief's military talents. This was an error in judgment, and, having that cocky bumptiousness which is so often an affliction of the undersized young, he saw no occasion to conceal his opinion. (He was only five and a half feet tall, the exact height of Hamilton, and his health was never robust. On that black winter morning at Quebec, he wept tears of mingled heartbreak and humiliation amid the musket-balls, as he vainly tried to carry from the field the body of his adored commander, Richard Montgomery.) Washington must often have been sorely tempted to spank him. Instead, he entrusted to Burr the safety of his whole army when he made the impudent lad captain of the dangerous pass that led to Valley Forge.

He surpassed Hamilton in the practice of law. Long after the latter had come secretly to hate and fear him, he was glad to be associated with Burr in important lawsuits. If his conscience had been just a little more elastic than Jefferson's, he — and not the Sage of Monticello — would have been President of the United States. Yet he never seemed to care greatly, or for very long. Like Hamilton, his kingdom was just around the corner. But he was unlike Hamilton in that he let nothing prevent him from going around the corner to find it. So he spent all of his life going around corners and never getting anywhere.

Thus, measured by the standards of the market-place which rule our lives today, it is well to consider Burr a failure. But it is certain that he seldom considered himself a failure — and his contemporaries never really breathed easily until he was well on his way to the grave. Like Hamilton, he had the adventurer soul. But Hamilton married and begot children and settled down — with what secret heart-wrenchings of longing we shall never know. (It must be a hardy spirit of adventure that can take a wife and seven children along with it.) Burr married and begot one child and did not settle down. In retrospect his life might have been called a glorious success, because all that he really asked of life was that it let him live hugely. He drank it in great draughts, with no heeltaps and no regrets ; for when one goblet was drained there was another just around the corner. This gusto for living is perhaps the true explanation of his whole career. He never lost it. When his shriveled old legs were too palsied to move, his heart still danced to the wonder-song of youth. He died with a little smile and the whispered word, "Madame !" on his lips — and God alone knows which one of his many women was before his eyes.

And in one heart at least he lived after death. Some white-haired old woman, who remembered the light of his eyes and the grip of his arms, sent workmen under the

cover of night to put a monument upon his grave. This writer can never be too thankful that we do not know who she was. The anonymity is more than half of the lovely grace of the story. But it is a safe wager that young and old were glad to come and take tea with her. She would have been that kind of old lady.

His living monument is Tammany Hall. The character of this memorial will be discussed at times and at length later on. But it is well to keep in mind the principle which Burr instinctively grasped, and clothed with dynamic and enduring organization — a principle admirably phrased in a recent report of the Institute of Public Administration :

"Whenever the governmental organization is inappropriate to perform its task, there will be created outside of that government other agencies through which the work of government will be performed."

It will be seen whether, and in what measure, this is the explanation of the vitality and triumphant persistence of Tammany as an engine of invisible government.

CHAPTER IV

THE SECOND GREAT BETRAYAL

It would be a pleasurable exercise to record that after this great victory of the American commons in 1800 there ensued a period of democratic reorganization, a golden age of rule by and for the people, and of lasting reform in economic system and political psychology. Unfortunately, nothing of the sort occurred.

It had taken ten years of hope and hard work to organize this victory of the masses. The triumph endured for rather less than ten minutes — about long enough for Jefferson to take the oath of office and get well into his Inaugural Address. This speech outlined a fairly complete surrender to those forces of iniquity which Jefferson was pledged to destroy.

As soon as they had sufficiently recovered from the shock to realize what was being presented to them, the powers of invisible government, like a great snake, simply licked the Republican Party and swallowed it. Therefore this party remained in power for more than a quarter of a century without any opposition worthy of the name. Young John Quincy Adams, entering the Senate in 1803, was able to settle down among the Republicans and be elected to the Presidency on that ticket some twenty years later, without in the slightest degree ever resembling a Jacobin.

Hamilton must have read that Inaugural of Jefferson's with sardonic glee. His extensive public remarks on the subject may be summarized in an exultant "I told you

so !" It will be recalled that Hamilton was one of the few of the Federalist chiefs who stood out for Jefferson as against Burr. He said that he knew his Jefferson and he knew his Burr, that the one could definitely be handled (he had proved it in the Assumption deal) and that the other was kittle-cattle. This vindication of his contention that the Funding Fathers could safely deal with Jefferson did much to bring Hamilton a measure of political rehabilitation in New York.

The passage in this address which Hamilton properly hailed as a promise of continued aid and comfort to the invisible enemies of the Republic was that in which Jefferson declared that there must be the "honest payment of debts" and no betrayal of the "public faith." Also, he added unrealistically, "we all are Republicans — all are Federalists."

This meant simply that Jefferson did not intend to make any serious effort to force the Funding Fathers into surrender of either the spoils or the weapons of warfare on the people. The principal criticism to be made of this policy is that for some eight or ten years Jefferson had ransacked his vocabulary for abusive epithets to make clear that these debts were not honest and that the betrayal of the public faith had occurred when they had been made the basis of the national fiscal establishment. By every public and private utterance — up to a few days or hours before his election — he was pledged to destroy the system by which the Funding Fathers controlled the economic and political liberties of the people, and to "turn the rascals out" of office. He constantly employed such phrases as the "speculative phalanx," and the "corrupt squadron," to make plain his disgust with everything embodied in the creed of Hamilton and Morris and their crowd, and his hatred of the funding and the Bank — especially the Bank. One of the worst things he could find to say of Assump-

tion was that "it enabled Hamilton so to strengthen himself by corrupt services to many that he could afterward carry his Bank scheme" — even that !

It is instructive and important to see what he did about it.

Woodrow Wilson once remarked that when a man is placed in a position of power and responsiblity, one of two things happens to him : he either grows or swells. There is a great deal of evidence that Jefferson swelled, and in a highly peculiar fashion. Just a week after his inaguration he wrote to Madison, his closest and most confidential friend, reporting his progress in Cabinet-making. One of the alleged provisions of the pre-election deal with the Funding Fathers was that General James Smith, of Philadelphia, a hundred percent Federalist, was to be named Secretary of War. This writer has never been able to find any proof that Jefferson offered to carry out this part of the agreement — if, indeed, that particular bargain was ever made. (Certain helpful fires in the War and Treasury departments, prior to Jefferson's induction into office, made it unnecessary that the "corrupt squadron" insist on control of the War Department. These conflagrations will be mentioned later.) Jefferson says in this letter that "General Smith has refused," but from the context it is almost certain that this refers to General *Samuel* Smith, the Republican leader, who afterward served for a short time as Secretary of the Navy *ad interim,* without compensation.

But in this same letter Jefferson calmly set forth his opinion that it amounted to a public calamity that Robert Morris was in jail and therefore could not be given a place in the ministry !

"What a misfortune to the public that R. Morris has fallen from the height of his character," he wrote. "If he could get from confinement and the public give him con-

fidence, he would be a most valuable officer in that station and in our council. But these are two impossibilities in the way."

To understand even more clearly why this letter must be read to be believed, it should be understood that Jefferson's grievances against Morris and all that he stood for are not wholly included in the considerable ground which has already been covered in these pages. There were other matters. Among the post-war spoils collected by the banker-speculator was the grasp of political and financial machinery for a tobacco-trading monopoly, which for an attempt at open-faced extortion has few parallels this side of the trade monopolies of the Middle Ages. It amounted to control of the purchase of tobacco in this country for shipment to France, and in France the control of the selling market. It was designed to milk the American producer with one hand and the French consumer with the other. The plight of the latter does not seem to have stirred the deeps of compassion in Jefferson's bosom, but he certainly had something to say about the fact that the Virginia planters had been robbed of approximately two million dollars. (Ironically enough, Morris himself made little or no money out of this monopolistic adventure, because his control of the tobacco trade was prematurely broken by a combination of natural, financial, and political causes.)

In 1799 Jefferson's low opinion of Morris reached the nether depths. The great gambler had at last badly overreached himself in land and other speculations. He had failed, with heavy losses to hundreds who had trusted him, and had been sent to prison for debt. (In jail Morris made a lasting contribution to the welfare of his people. Pity for this wounded comrade — and fear of finding themselves in like predicament — led the Funding Fathers to lay the foundation of that long history of bankruptcy legislation which early made our country conspicuous in

humane treatment of the financially unfortunate. The fact that dishonest lawyers and judges, and big and little business men, have too often turned this machinery into a swindle does not lessen the social value of the underlying merciful justice.)

Jefferson did not at this time gave way to the urge of pity, for the reason that a friend of his, a Dr. Currie, held a number of Morris's notes ; and the ruined speculator had apparently adopted the dishonest trick, so popular today, of shifting his remaining assets to his relatives. Jefferson placed Dr. Currie's affairs in the hands of Burr, to whom he wrote :

"I have no conception how Mr. Morris's conveyances to his sons and family can be good against the statutes on fraudulent conveyances. . . Everybody must know that his sons could have no means of making such purchases on valuable consideration."

Thus, up to February, 1799, the record is fairly complete that Jefferson considered Morris a thoroughgoing public menace and private crook. And barely two years later, at the climax of a bitter and victorious struggle to end all that Morris stood for, he virtually bursts into tears of ink because he cannot have this discredited highbinder in his Cabinet.

It is always unjust to judge a man merely by what he has written — especially a man who wrote so much, and over so long and fluid a period. By taking isolated quotations, or even groups of quotations, from the context of the circumstances which induced a probably transitory state of mind, it is possible to prove almost anything about anyone. This letter to Madison gains its chief importance from the light thrown back on it by Jefferson's later actions ; and within itself it bears evidences of a precision of objective, a weighing of judgment, which places it well outside the category of those speculative or polemical writings on political philosophy and the science of government

which come from the pen of nearly every great public man. This was the newly inducted President of the United States seriously discussing Cabinet possibilities with friend and adviser. It has all the force, and much more, of an early confidential communication from President Wilson to Colonel E. M. House.

Moreover, it was a time for extreme care in Cabinet-making. Adams's administration had just closed in one of the worst ministerial scandals in our history. Timothy Pickering, Secretary of War and then of State, had been kicked out by Adams — not for financial dishonesty but for political treachery. He was then accused of being $500,000 short in his accounts as Secretary of War. (This probably explains the eagerness of the Funding Fathers to have a reliable Federalist succeed to the War Department under Jefferson.) Memoranda supplied by a clerk in the Treasury Department materially aided in building up a strong *prima facie* case. Oliver Wolcott hastened to assure the Congress that as soon as all the records of the Treasury could be assembled from Philadelphia, Pickering would be cleared. Meanwhile, Samuel Dexter, another trusty horseman of the "corrupt squadron," had been made Secretary of War. A fire immediately and opportunely destroyed all the records in the War Department. This was known as "Federalist Bonfire No. 1." Then, probably at the suggestion of Wolcott, Adams moved Dexter over to the Treasury Department, Wolcott conveniently resigning to make room for him. (This protégé of Hamilton was the heart of the treachery with which that intrigant encircled Adams, but the young New Englander succeeded in deceiving the honest and inept patriot to the end.) Another fire promptly destroyed all the records of the Treasury Department. This was known as "Federalist Bonfire No. 2." A Republican newspaper wanted to know how it happened, in a town where it was extremely difficult to rent any sort of conveyance, that

Wolcott was one of the first at the fire with a fleet of hired trucks to salvage his personal possessions. (Incidentally, these fires cost Professor C. A. Beard the "leisure" of several years, unearthing from scattered sources the proof of the contemporary charges of corruption brought against the Funding Fathers by John Taylor of Caroline.)

So Pickering went scatheless on his way, to become later one of the leaders of the "Essex Junto," along with Cabot, Sedgwick, Harrison Grey Otis, and the Lowells — the group which, to the accompaniment of treasonable dickerings with Great Britain, brought the New England secession movement to a head in the Hartford Convention.

And in the face of all this, Jefferson was bewailing the fact that he could not get a broken speculator out of jail to accept a place in his Cabinet. Dexter carried on in office until Gallatin was ready to take his place ; but this was perfectly safe — all that was inflammable in the Treasury Department had already been burned.

What Jefferson long afterward wrote of King Louis XVIII might have been a loose estimate of his own character — "barring a little duplicity, he is honest and means well." But this does not furnish the key to his state of mind when he wrote this letter to Madison. It is more than probable that this is to be found in his we-are-all-Republicans-all-Federalists dictum. Apparently his was the sanguine and seldom realistic temperament which readily lends itself to be a sort of forcing-bed for exoticisms, and which enabled him at times, and for the time being, to believe anything that he pleased. The tone of his whole Inaugural shows that he pictured himself as ruling above and beyond party. Where Washington had failed, he would succeed. In the light of his broad and benign statesmanship, the miasmic vapors of predatory politics would vanish, and peace and righteousness at last might kiss.

It is also possible that his non-partisan slogan was in-

tended to throw the mantle of benevolence over the fact that he was carrying out, in part at least, his pre-election bargain with the powers of darkness. But that fact would have made no essential difference in the state of mind suggested. He would instantly have convinced himself that the lofty aim was the real aim. Whatever he did was sanctified by the high purpose for which he did it. His subsequent gymnastics in public finance support this view. In the name of the "reformed order of things," he produced a series of back-somersaults in fiscal policy which delivered his party to the lords of invisible government.

That this surrender was not immediate and complete was largely due to the mental density of the Funding Fathers. It is a mistake to credit the enemies of free institutions with sleepless omniscience. Were it not for their frequent displays of short-sightedness and self-defeating cunning, we should have even fewer liberties than we now enjoy. It took them some time to realize that Jefferson was offering them the substance of power under another name. When he held out a platter of meat they demanded the sauce. Many of the more snobbish among them refused under any conditions to clasp hands with this "pantalooned and slippered mountebank." The pantaloons and slippers constituted the chief grievance of this group. These symbolized the death of one of their dearest hopes — titles of nobility. And if anyone supposes that a title of nobility is not a thing of worth and importance to a parvenu, he is simply not in touch even with contemporary history. Within very recent times it has been demonstrated that a political party in England can fairly finance itself on the proceeds of the sale of baronetcies and peerages to soap-boilers, brewers, clip-sheet publishers and the like. A leader of the Liberal Party, David Lloyd George, by these means amassed a huge fund, which he shrewdly arranged so that it remained under his personal control. His hold on this money was for

years about the only barrier between him and political oblivion.

Furthermore, the irreconcilables among the Funding Fathers were correct in assuming that there was nothing of pose in Jefferson's hatred of the Bank. This was always real, and always impotent. He saw, well enough, that the Bank gave the Funding Fathers a power which was a menace to free institutions — that it constituted a barrier to even an approach to his dream of an agrarian democracy. But he could only fume at it, never bravely fight it. Himself, he had no sure grasp of financial statecraft ; and in direct warfare on the Bank, he could hope for but little real aid from Gallatin, who hated Hamilton's methods but admired his finished product as one great artist admires the work of another.

In view of which it should not be unexpected that as early as December, 1801, Jefferson took refuge in that ancient shelter-pit of those who are led by timidity or incompetence into a betrayal of principle. "What is practicable must often control what is pure theory," he wrote. It was certainly not practicable to keep hands off the Bank and at the same time destroy the power of the Funding Fathers. And the pure theory on which Jefferson was elected was that he would crush this power. This method of evasion is sometimes called "facing the facts," probably for the reason that it means running away from difficult and dangerous problems because they are difficult and dangerous. It is also sometimes described as "common sense," that being a euphemism for a quite common cowardice. It is the antithesis of Washington's instinctive courage, his "faith invulnerable to the strength of facts." If Washington had "faced the facts" in the manner in which all but a handful of our forefathers were often in favor of doing, he would have surrendered a dozen times over. But he was afflicted with a thrice-blessed astigmatism which forbade him to see any but the one huge fact —

that these United States are, and of right ought to be, free and independent States. There were no other facts — merely dangers and difficulties masquerading as facts. It might take seven years, or seventeen, to overcome these. Time was not a primary consideration. He had the remainder of his life before him.

Lacking this quality of character, Jefferson never assaulted the Bank : he sniped at it. He took a leaf from the book of Burr — in the creation of the Bank of the Manhattan Company — and gave active support and encouragement to those financial interests which showed a disposition to be friendly to him and to the Republican Party. All that a financial soldier of fortune needed to do was to change his label from "Federalist" to "Republican," and shout for Jefferson ; then he could prosper in banking with the blessing of the Federal Government and with the aid of the Federal Treasury. It was much as though a community attempted to get rid of the mosquito-pest of a large pond by setting out pans of water in the vicinity to serve as new breeding-places. Never does it seem to have occurred to Jefferson that he was merely strengthening and enlarging the privileged class, and that these two wings would inevitably merge in all essentials for the control of both parties. He wrote to Gallatin :

"I am decidedly in favor of making all the banks Republican by sharing deposits among them according to the dispositions they show."

The most shameless freebooter of the "corrupt squadron" seldom advocated a more dangerous and immoral misuse of the public funds. But in Jefferson's eyes, this proceeding was blameless, because it was in the service of the "reformed order of things." At best it was a fine example of that exquisite stupidity known as fighting the Devil with fire — fire being the one element in which the Great Warrior revels. The result, of course, was an outbreak of State banks, a stimulation of unsound banking

and inflation, an increase of appetite for easy money, and a further entrenching of the powers of invisible government.

Gallatin in these days must have had some queerly jumbled thoughts. In the years before he took office he was an acute critic of the dishonest aspect of Hamilton's financial policies. In power, he never touched one of the foundation stones of Hamilton's edifice. It was a *fait accompli,* and he let it go at that — supporting, and probably fathering, Jefferson's view that the wrecking costs would prove dangerously high. He was the general who handled the indirect campaign against the Bank by encouraging competitive banking ; but in justice it should be made clear that he and Jefferson never carried their tenderness for their mushroom Republican bankers to the length of deliberately jeopardizing the public funds. A bank which Jefferson knew to be dangerously overextended and shaky could get no Government deposits. And, under Gallatin, the Bank of the United States never suffered from the lack of public monies.

Whatever may have been his backslidings from his earlier militant democratic faith, there is general agreement as to Gallatin's exceptional talent for finance, albeit he made no startling contributions to financial history. He also had statesmanlike, if not original, views on the development of public highways and waterways. He lacked Hamilton's colorful personality, although his background was certainly not without color. He was of the *noblesse,* the son of an ancient family in French Switzerland, and was educated at the famous University of Geneva, where he excelled in Latin and mathematics. His kinsman, the Landgraf of Hesse, offered him a commission in one of those very regiments which that prince was renting to the English king for the war against the Colonies. Young Gallatin would not "fight for a tyrant." Instead, he slipped away to America toward the end of the war and

joined Washington's army. His military career was brief and wholly undistinguished. His talents did not lie in that direction. After the failure of several small commercial ventures, he was at last successful in a rather large land-speculation in West Virginia. This placed him in at least comfortable financial circumstances.

One biographer writes that "all historians are agreed" that Gallatin had no part in the Whisky Rebellion, save to prevent its going on to a bloody civil war. It is unfortunate that Gallatin himself did not know this at the time. He would not then have felt it necessary to rise in the Pennsylvania Legislature and make a public plea for forgiveness for his large share in that uprising. He always spoke English with a strong Swiss-French accent ; so one of the Federalist newspapers quoted this speech, not only verbatim, but phonetically — "For ze par wisch oi took in dzat affair oi doo mos sinzerly deman ze pardone of moi contree," and so on. This is an extremely mild sample of the manner in which political warfare was carried on in the columns of the press of those days.

His imperfect command of English Gallatin knew to be a severe handicap. In a letter to Jefferson he outlined what should be the qualifications of any candidate for the post, under him, of Comptroller of the Treasury — making a special point of ability to write English prose with "facility" if not with "elegance." For, he added pathetically, "I cannot write even a decent letter without great labour."

In the light of the researches of later scholars, it is not impossible at times to disagree with the historian, John Bach McMaster, in the course of eight or nine volumes of reading ; but few will quarrel with his conclusion that there had been up to his time but two great masters of finance in the government of the United States : the first Hamilton, and the second Gallatin. Had he lived long enough, McMaster would undoubtedly have added the

name of Carter Glass of Virginia — if Glass indeed drafted the Federal Reserve Bill which bears his name. None other has ever been in the class with these three, and Glass would certainly outrank Gallatin, if not Hamilton as well.

As Jefferson's Secretary of the Treasury, Gallatin did not scruple to make use of the financial power of the government for party ends. And it may be taken for certain that he saw much farther into what he was doing than did Jefferson. He was a wealthy man, and his own fortune was built on speculation in land. It is difficult to picture him as the implacable foe of wealth, merely because that wealth happened to be built on speculation in stocks. One cautious estimate of Gallatin should be read with emphasis on the first factor :

"His natural conservatism checked his democratic ideas, and he made little change in the arrangements of Hamilton," observes John Jay Knox (*History of Banking in the United States*).

Jefferson, who deeply respected him for both his ability and his integrity, wrote that Gallatin "was always cordial to the Bank" because he found it to be immensely useful as fiscal agent of the Government. Under his watchful eye, and in the face of the constantly threatening enmity of the unreconciled wing of the Republicans, the First Bank was on the whole ably and honestly managed. There were no such scandals as those which disgraced the history of the Second Bank. It met its obligations promptly as a rule, and its losses from bad debts were trifling. Dividends of more than eight percent per annum were paid with unfailing regularity, and when the institution was liquidated, the stock was redeemed at slightly above par — and despite the terrors of the economic Cassandras of the day, such as Matthew Carey, the Bank dissolved and vanished without causing a ripple.

"No financial disturbance whatever occurred upon the winding up of this bank," wrote William Graham Sumner

(*History of Banking in the United States*). This may be one of the reasons why economics has been called the dismal science. Students are apt to weary of a science whereof the high practitioners are generally so much more dependable in hindsight than in foresight.

Nevertheless, the refusal to recharter the bank in 1811 was, in the circumstances, an act of egregious folly. Henry Clay and John Calhoun and the other young "War Hawks" who wanted to fight England in order to annex Canada — cheered on by the bungling manufacturers of the Middle States who thrived on the automatic protection of Embargo, Non-intercourse, and war — led the assault. The abolition of the Bank may certainly be defended as a plain act of political honesty. The war on England might be defended as an assertion of commercial rights. But to combine the two and send the country into war with its revenues dried up, its financial system disorganized, and its liquid-capital section — New England — openly threatening secession, was an act of reckless ignorance almost without parallel in our history.

Gallatin did not see how it could be done. He stepped out of the picture. He was temporarily succeeded by William Jones, who was followed by G. W. Campbell, two of the most ineffectual bunglers we ever had in the Treasury. They paved the way for many of the misfortunes to come ; and the war finances were so completely wrecked that Monroe, as Secretary of War, had to pledge his personal fortune in order to make possible Jackson's glorious defense of New Orleans.

Many years later, after the death of the Second Bank of the United States, Gallatin was opposed to the movement for a third institution of this kind — although in 1830, at the urging of Nicholas Biddle, he had brought his pen to the aid of that Alcibiades of finance in his fight to save the Second Bank. There are indications in his writings of nearly a century ago that he had begun to feel that a

central bank under private control was a dangerous and unwholesome institution. (According to current newspaper reports, a large and apparently growing number of English electors are developing a similar attitude toward the Old Lady of Threadneedle Street.)

In 1841, Gallatin wrote to a member of Congress, John M. Botts of Virginia, putting the latter right on a rumor which had reached him of Jefferson's deathbed conversion to the Bank idea. Gallatin said that Jefferson had "lived and died an enemy to our banking system generally, and to the Bank of the United States" in particular. And Gallatin had come to sympathize, at least partly, with this view. The Bank could not serve any useful purpose save as fiscal agent for the Government, and he attached but little importance to its disappearance — its "friends, speculators and bankrupts excepted, are disinterested and not over-zealous."

Gallatin gave Jefferson loyal and valuable aid in the redemption of the more obvious pledges of the Republican Party. The Alien and Sedition Laws disappeared, and the excise tax on whisky was abolished. The overplus of Federal courts, created in the last hours of Adams's administration to make life-jobs for lame ducks and to ensure for generations the control of the judiciary by the powers of invisible government, were also wiped out. Army and navy expenditures were cut to the bone, and a system of honesty and responsibility in governmental economy replaced the régime of piracy and pillage inaugurated by the Funding Fathers. The reduction of taxes was more than offset by the economies of administration. The annual cost of government was cut from about $7,500,000 to about $4,000,000 and in eight years, Jefferson and Gallatin reduced the national debt from approximately $83,000,000 to $45,000,000, despite the fact that the $15,000,000 involved in the Louisiana Purchase complicated the problem.

These were praiseworthy achievements, although their value was fleeting. The evil that was wrought lives strongly to this day. Jefferson might have dealt blows which would have made it difficult for the powers of invisible government to control the future welfare of his countrymen. Instead, he made it easy. He believed that he was fighting predatory wealth, and so his financial policies strengthened and immunized the enemies of a free and individualistic commonwealth. Stock-jobbing and crooked banking were, in some mysterious manner, to become beneficial if their sources were labeled "Republican." In the name of democracy, he invoked the Dagons of privilege, and thus went a long way to deliver his party to the enemies of the people. They learned from Jefferson that they could readily control two apparently antagonistic political parties, and they have never forgotten this lesson. In 1924, J. P. Morgan supported the Republican, Coolidge, for the Presidency, and his personal attorney, John W. Davis, ran on the Democratic ticket. Whatever happened, Morgan stood but little chance to lose.

Lest the reader suspect that out of the clouded evidence of the past this writer may here have built up a special case to a special conclusion, it might be well to inquire how the policies of Jefferson and Madison appeared to a thoughtful contemporary democrat — John Taylor of Caroline, a clear-headed and hard-headed Virginia gentleman. With rising indignation over a period of about a dozen years, he observed the operations of his two eminent fellow-Virginians, and then arrived at the following conclusion :

"The folly or knavery of those who first represented it [Hamilton's financial jugglery] as an usurpation dangerous to free government, and afterwards seized upon it, ought to be a memorial to nations against reposing an excessive degree of confidence in parties or individuals ; in judges or

legislatures ; in governments or patriots. The history of man proves that all will often avail themselves of the precedents established by their predecessors and reprobated by themselves. Every precedent, however demonstrated to be unconstitutional . . . by a party out of power, will be held sacred by the same party in it ; and those who clearly discerned the injustice and impolicy of enriching or strengthening the bank or debt stock, at the publick expense, will seldom refuse to receive a similar sinecure."

In other words, he placed Jefferson and Madison, and the other party leaders, in the large class of political reformers who fight for the New Jerusalem when they are out of office, and devote themselves to politics and privilege when they gain power. This view is but little softened by the haze of years. The facts support Taylor, as they generally did.

John Randolph of Roanoke contemporaneously delivered a more specific indictment of Jeffersonian leadership in connection with the attempt to loot the Treasury of the United States for the benefit of speculators in the admittedly worthless stock of fraudulent land companies. As already noted, these companies obtained their Georgia grants through appalling corruption of the State Legislature, and the title of Georgia to the lands was more than doubtful. But the promoters (Robert Morris was conspicuously among those present) sold the stock in these companies to small investors all over the country, particularly in New England. This promotion provided the basis for the second great outburst of speculative mania in the 1790's. Mechanics, small tradesmen, merchants, and professional men, all invested heavily — the two classes first named often putting in the savings of a lifetime and abandoning their wholesome employments to grow rich by buying and selling bits of paper among themselves. Much of the high-pressure promotion continued after it

was definitely known to the insiders that the company titles to the land-grants were not, and probably never could be, established.

The high priests of the money power saw in the collapse of this speculation another opportunity to repeat Hamilton's funding scheme. Naturally, the whole swindle was operated by leading citizens. Members of Congress were implicated, along with Gideon Granger, Jr., Jefferson's Postmaster-general ; and Mr. Justice Wilson of the United States Supreme Court was up to his eyes in land deals. These wealthy citizens collected bales of the valueless stock certificates, and then set confidently about the business of having the National Treasury redeem the stuff at par.

"Garnering the floating supply from the impoverished owners," explains Professor A. M. Sokolsky (*The Great American Land Bubble*), "they began to 'pull wires' to have their claims recognized by the Federal Government. Among the 'humble' petitioners who repeatedly importuned 'the Honorable Congress' for a consideration of their Yazoo claims were such well-known capitalists as Nathaniel Prime, who organized the first American private banking house ; Leonard Bleecker, a founder of the New York Stock Exchange ; James Perkins and Leonard Jarvis, New York capitalists ; James Sullivan, eminent attorney of Boston ; James Strawbridge of Philadelphia, and a host of others" who had not invested a cent in the original companies.

With the aid of Madison, who is conspicuous in our history for a unique combination of fine mind and flabby character, and with a large following of Republicans from the Middle and Eastern States, these swindlers were all but successful in their raid on the Treasury. Only the furious revolt of honest men such as Taylor and Randolph stopped them. Randolph burst out on the floor of Congress with :

"What is the spirit against which we now struggle, and which we have vainly endeavoured to stifle ? A monster,

generated by fraud, nursed in corruption . . . the spirit of Federalism! The spirit which considers the many made only for the few! . . . If Congress shall determine to sanction this fraud upon the public, I trust in God we shall hear no more of the crimes and follies of the former administration. For one, I promise that my lips upon this subject shall be closed in eternal silence. I should disdain to prate about the petty larcenies of our predecessors after having given my sanction to this atrocious public robbery."

These hijackers finally turned to their trusty friend, John Marshall, Chief Justice of the Supreme Court, after eight or ten years of vain hammering at the resistance of the incorruptible in the Congress. In *Fletcher vs. Peck*, Marshall handed down a decision outstandingly cynical even in that long series of judicial pronouncements designed to establish special privilege as the dominant ruling influence in the Republic.

He held that in so far as Georgia had a claim to the lands, the corrupt grants could not be invalidated because that would be a breach of contract. (The scandal of the wholesale bribery of the State Legislature had all but caused a civil war in Georgia, and the new legislature had by unanimous vote declared these land-grants fraudulent and void.) The fact that the grants had been obtained by the bribery of virtually every legislator who voted for them might be unfortunate, but that did not affect the validity of the contracts between the State and the land company. It would be difficult to find in the history of modern jurisprudence a more unmoral pronouncement.

In the end, the swindlers were only partly successful. The Government reserved about five million acres of land, and issued over $4,000,000 of scrip against it to settle these claims. The whole affair must be recorded as a triumph of John Marshall over John Taylor.

Of this man, John Taylor of Caroline, too little is heard. He deserves respectful mention in any textbook, and a

place of honor in a study of this sort. He is never, or rarely, accorded the former, but something may be done about the latter. His was a vigorous if not profound intellect, and he had the high heart of a Crusader. He was gifted with the political vision to see quite clearly the holes in the ladder of invisible government, and the political honesty to point them out in plain words. His pamphlets in the 1790's were food and ammunition for the enemies of the Funding Fathers. Standing, as he thought firmly, on the basis of a slave-holding small-farmer class, as the stuff of which to make an enduring democracy, he spoke convincing arguments, and words of warning and rebuke which, like those quoted above, have all of their pristine force today. He lacked profundity in that he did not question the solidity of an important section of the ground on which he stood — the slavery part of it. But this is merely to say that he was not the ideal statesman, that he was wanting in that inspired wedding of logic and intuition which drives through and beyond the most sacred errors, and reaches the just, the fundamental solution. But he never pretended, nor apparently desired, to be a statesman. He had plenty of controversial bile, yet he seems to have been almost without political ambition. Untempted of ambition, he could keep the faith. And he was one of the few who did.

And whether or no his position on any public question was rooted in eternal truth, he never failed in the plain logic of his convictions. This quality of character is illustrated in a remarkable confidential conversation he held one day in 1794 with Rufus King of New York and Oliver Ellsworth of Connecticut. All three were at the time members of the Senate, Taylor serving by appointment to an unexpired term. In the eyes of none of the three was the Union sacrosanct. Taylor strongly believed in the federation, as a protection for the several States against foreign aggression, always to be feared by experimenters

in democracy. The pair of New England patriots (King was a New Yorker by recent adoption) held the Union to be desirable only so long as the Federal Government was being administered in the interests of the stock-jobbers. Just after Taylor had delivered, on the floor of the Senate, a few of his excoriating remarks on the political integrity and financial morality of the Funding Fathers, King and Ellsworth got him into a little office off the Senate Chamber. They proposed that since there were two irreconcilable forces at work, he join with them in plans for a peaceable dissolution of the Union. They were willing to draw the line anywhere between the Hudson and the Potomac. Taylor replied that if the Union was to be dissolved, there should certainly be no blood shed about it, but that the principal cause of disquiet lay in the dishonest funding of the debt, and especially in the subsequent creation of the Bank as an instrument of politico-economic skullduggery. He suggested that the debt could be promptly extinguished by the sale of public lands (thus, of course, strengthening Taylor's favorite small-farmer class), and that the Bank would then have no further basis or excuse for existence. Naturally, King and Ellsworth would not listen to this proposal, so the conversation died out. (Taylor afterward gave Madison a private memorandum of this conversation, which the latter dismissed with the notation that the threat of secession was probably "an argument *in terrorem*." If Madison really believed that the secession movement in New England was a bogy invented to frighten Taylor, he had even less political instinct than he is generally credited with.)

Taylor did not shrink from the possibility that his plan for the swift abolition of the Bank might result in a cataclysmic, if brief, disruption of the national fiscal structure and of the economic stability of the country. It is unfortunately a fact that institutions begotten in immoral violence can seldom be destroyed save by moral

violence. Hercules did not attempt to clean the Augean stables by simply holding his nose, or by laying out a five-year or five-hundred-year plan of patient and futile labor. He invoked the cleansing violence of a rushing river. Analogies drawn from the physical world are generally misleading in the discussion of human affairs, but there is a rough parallel in the physical law that it takes as much violence to stop an automobile as it does to drive it — the transmution of dynamic into static energy. Jackson "took the responsibility" for moral violence, and destroyed the second and last Bank of the United States.

Taylor's attitude toward protective tariffs was equally realistic. He held that an industry which needed subsidies was economically unsound. The more highly fabricated goods, such as textiles, could be more cheaply manufactured abroad, and the sensible course was to take them in exchange for our raw materials, which could not be produced abroad. The danger to "infant industries" left him cold. (The phrase was coined in those days without foreknowledge that our "infant industries" were destined to develop the biological singularity of Peter Pan : they never grow up. Though they may swell beyond measure, we are daily assured that they remain merely Brobdingnagian babies, always to be tenderly swaddled in exorbitant tariffs.) Taylor saw no reason for putting a tax on wealth-producing labor in order to subsidize industrial incompetents. If the automatic tariff of ocean carrying-charges did not give these "infants" sufficient protection, they had much better be economically stillborn. Should they be needed in war time, they could be operated as a part of the war-making machinery.

His ideas on the subject of private property were hidebound to a degree. He actually made a distinction between earned and stolen money, even in those cases where the theft had received the benefit of a statutory poultice to take the sting out of it. He was not deceived by the

fact that, as this writer has remarked elsewhere, "if a racketeer can keep his racket going long and successfully enough, it will become a folk-custom, and at last a law." To Taylor, it remained a swindle just the same. Aside from his specific charges of corruption, his pamphlets in discussion of the malodorous activities of the Funding Fathers bristle with such remarks as these :

"The acquisitions of honest industry can seldom become dangerous to public or private happiness. Whereas the accumulations of fraud and violence constantly diminish both." . . . "Labor is deprived of its hard-earned fruits. A portion of these is gotten from it, and bestowed upon ease and affluence. The loss is the same, whether a daring robber extorts your property with his pistol at your breast, or whether a midnight thief secretly filches it away."

When he came to write his great book, *An Inquiry into the Principles and Policy of the Government of the United States,* published in 1814 (it may be read in the New York Public Library, and every one of its six hundred pages is worth reading *), he had, as has been noticed, seen Madison and Jefferson and the other "tribunes of the people" lie down quite cozily with the Mammon of Unrighteousness, and the spectacle had not been at all soothing. He wrote :

"Mankind has suffered nearly as much from confounding natural with fictitious property, as from confounding legitimate with spurious power. If the fruit of labor is private property, can stealing of this fruit from labor also make private property ?

"By calling the artillery property, which is playing on property, the battery is masked. . . There are two modes of invading private property ; the first, by which the poor

* "Whatever its shortcomings in prolixity of style, it deserves to rank among the two or three really historic contributions to political science which have been produced in the United States." — Professor C. A. Beard, *Economic Origins of Jeffersonian Democracy.*

plunder the rich, is sudden and violent; the second, by which the rich plunder the poor, is slow and legal. One begets ferocity and barbarism, and the other vice and penury, and both impair the national prosperity and happiness."

He goes on to point out that the privileged claim all sorts of immunities for their privileges on the ground that their activities constitute a community service in some sense or other. But the moment that the community attempts to touch them, on grounds of perversion or obsolescence, these immunities (often fraudulently or corruptly obtained) at once become "private property" and are therefore sacred. Franchises for the operation of public utilities, for example, which are merely permits granted by the people, become letters of marque for raids on the property of the people, through extortionate rates, and by the sale of worthless securities, not infrequently tied up with the larcenous absorption of the bank deposits of the thrifty.

By way of illustration, the Federal Trade Commission in a report made public in December, 1932, on certain activities of the Columbia Gas and Electric group of utility and holding companies, makes clear one of the best modern methods for effecting this "transfer" of property against which Taylor so constantly stormed. The Huntington Gas Company purchased gas at 26.2 cents a thousand cubic feet, which it sold to affiliated utility companies at forty-five cents a thousand cubic feet. For rate-fixing purposes these companies were thus enabled to show a "getaway" cost of 45 cents, each consumer of a thousand feet of gas thus transferring nineteen or twenty cents of his property to these companies for no reason whatever, excepting that they were able to force him to pay it. At the same time, the Huntington company was quite glad to sell to a non-utility corporation — therefore not subject to regulation — all the gas it wanted at eighteen cents a thousand feet.

These margins of unearned tribute form the basis of the security jugglings of Insull and similar "makers of America." By piling company on company, they are enabled to show by a simple bookkeeping process that each company is making money. This performance is attended by the issue of a flood of stocks and bonds against the fictitious or fraudulent earning power. These securities are of so many different kinds and varying shades of "value" that no one save an expert accountant could possibly define their relationship one to another. But, as the inflation proceeds, the real assets of the enterprise find their way into the banks as security for loans. Thus, when the structure topples over, the investors have beautifully engraved and decorated documents to show for their investments, while the banks have the property.

Taylor would have said, accurately, that there is no difference — save the inconsiderable statutory one — between issuing watered stock and uttering counterfeit money. Both rest upon a dishonest bluff, and both pass for having value until the bluff is called. When that occurs, only the clumsy counterfeiter or financier has any spurious money or worthless stock in his possession. He has disposed of it to the people, taking real money or titles to property of real value in exchange. This is one of the many ways of masking, as property, the batteries that play upon property.

The reader will readily perceive from the foregoing that the important distinction to be made between earned and stolen money is that only the latter really attains the sanctity of private property in a government of privilege. A paragrapher in *The New Yorker,* Howard Brubaker, recently remarked that while Russia had just completed the largest hyro-electric power plant in the world, he did not see how it was going to do the Russian people any good if they did not have an Insull to juggle the stocks. A large book might be written without achieving so neat a punc-

turing of the whole dishonest sham of "financial leadership." It is a source of comfort to us of the democratic faith that in great crises, when "statesmanship" and "leadership" are floundering about in morasses of muddy thought, we have but to turn to the casual journalistic humorist for real insight and profundity. (Aristophanes was one of the earliest of these aids to public decency. Far from being a "scurrilous blatherskite," he was about the only contemporary of note, apart from Socrates, who saw through the pretentious façade of Periclean glory and prosperity to the inner rottenness and feebleness of the Athenian state.)

Taylor was not so happy when he said that "the similitude between a stock and a feudal aristocracy is perfect." There are important points of difference aside from those mentioned in Chapter Two. But he was, of course, right in his main contention that power goes to the accumulations of stolen money — to the wealth that is born of, and must live by, special privilege. This is the essence of invisible government. "With money we will get men, and with men we will get money," said one of the most astute and unscrupulous of politicians, Caius Julius Cæsar.

If Taylor had lived today, he would almost certainly have fallen foul of a "criminal anarchy" statute or something of the sort. Probably nothing kept him out of jail in those days excepting the fact that he lived in Virginia. When the Sedition Act was passed, only Virginia and Kentucky as political entities openly took arms against the atrocity, and fanned the expiring flame of liberty. Madison drafted Virginia's stirring resolutions against the Act, but it was Taylor who led the successful fight for them in the Legislature. Kentucky went further than Virginia in scathing phraseology ; but both Legislatures declared that when the National Government passed a law so plainly in contravention of Constitutional guarantees, it became not only the right but the duty of a self-respecting State

to declare the statute void within her borders. This was the first pronouncement of the principle of Nullification.

Among the many popular errors of our history-teaching is the fiction that one of the first acts of the Republican leadership was to force the repeal of these obnoxious laws. This version varies from the truth in an important degree. The Republicans simply did not attempt to re-enact these statutes, which is quite a different thing. The laws were self-repealing — a smooth political trick of the Federalists. The statutes themselves provided that they would have no force after March 3, 1801. If the Funding Fathers were returned to office, they could promptly re-enact them. If they were beaten, their political enemies could not enjoy for even one day this sinister political power. The situation in the country was such that the most cynical Republican would not have dared positive action directed toward the continuance of this oppression. It amounted practically to repeal or revolution. The formal actions of Virginia and Kentucky were symptomatic of a rising fury. For these laws were not merely statutory threats. They were the active instruments of tyranny. The Federal judiciary was stuffed with the pets of the Funding Fathers. Honest men who criticized fraud and swindling in the high places were haled before them, insulted from the bench, and packed off to jail. Mr. Justice Chase of the Supreme Court was impeached for this cause ; but, owing partly to the fine judicial integrity of Burr, who as Vice-president presided at the trial in the Senate, he was acquitted.

Similarly intolerable conditions had resulted from the excise tax on whisky. If the Sedition Law compares favorably with modern Fascist violence to human dignity and decency, the excise bureau was the full brother of modern "enforcement" under the Volstead Act. If anything, it was even more thoroughly packed with dynamite. "Hamilton's Myrmidons," as the tax-collectors were called,

formed one of the earliest machines in our history for private extortion and political blackmail. There had already been one abortive armed rebellion, and there was plenty of material for a much worse one. Repeal was imperatively necessary. There is certainly no indication that the Republican leadership ever dreamed of scheming to forfeit that pledge.

And by this time, there was throughout the country as a whole but little opposition to the burial of these laws. Many of those who abated no jot of their passion for government in favor of special privilege thought that things had been carried too far, and with too high a hand. Even the worst of the Funding Fathers was not wholly corrupt. Hamilton was, of course, opposed to the repeal of the Excise Law. He would have been more deeply concerned to keep in being his political army of Myrmidons than to collect the tax.

Perhaps, in justice, mention should also be made of the fact that there were undoubtedly many honest patriots who had thought that there might be some good in the Sedition Law, just as many of us weakly and wickedly believed that there might be some good in Prohibition. The newspapers of the day were to blame. Particularly in their political columns, they were written with a scurrility that passes belief. Hamilton and the Clintons and the Livingstons, in 1803, retained the services of an English renegade, named Cheetham, to assail the public and private life of Burr. This man was without those reticences which presumably govern even the feuds of hyenas. Against the background of his unprintable slanders you wonder, not that Burr called Hamilton out and shot him, but that he did not run *amok* and shoot everyone concerned. (Hamilton personally underwrote but a small and comparatively mild portion of this calumny. It was his refusal to disclaim responsibility for that small part which led to the duel. Given that duelling was an accepted institution,

Burr really conducted himself with admirable restraint.)

As noticed in an earlier chapter, even Washington did not escape. Jefferson's hand-fed editor, Freneau, was attacking him much of the time that Jefferson was blandly sitting in the Cabinet. Washington endured in patience until this gadfly conceived the notion of stinging the old war-horse in the shoulder by sending him daily three copies of the sheet. This was too much. Washington suddenly broke out one day in a Cabinet meeting and wanted to know if anyone supposed that this "rascal Freneau" was trying to get him into the circulation-promoting department of his rag. "By God !" he would rather be dead than where he was ! — he hadn't wanted to be President, and they were accusing him of trying to be King ! — and so on. This writer would give something more than a little to have heard the old Monmouthian roar of it. *Suum animum liberavit* — he eased his mind, and the performance must have been one of outstanding excellence. When Washington gave way to temper, his vocabulary tended to remind his hearers rather that he was a soldier than that he was a gentleman. Jefferson afterward wrote out a much-softened summary of these remarks, in a manner designed to suggest to the reader that he, Jefferson, was wondering what ever could have caused it all.

Long before the end of Madison's second administration, there was in the Republican party leadership not a trace of the democratic revolt that had called the party into being. The Federalist Party had died because, to all intents and purposes, the "party of the people" was filling its place as the servant of malefactors of great wealth. In 1816 an extortionate tariff and a new Bank of the United States were launched, and there followed three years of inflation and swindle, comparable to our recent three years which ended in 1929. This was called "The Era of Good Feeling." There was a vast outpouring of industrial and land company and banking paper, stimulated by the tariff

and the Bank of the United States, and by the State banks of Jeffersonian prospering — matters which will be discussed in the following chapters. When the collapse came in 1819, Jefferson wrote to John Adams :

"The paper bubble is then burst. . . We were laboring under a dropsical fullness of circulating medium. Nearly all of it is now called in by the banks, who have the regulation of the safety-valves of our fortunes, and who condense or explode them at their will."

It seems never to have occurred to Jefferson that his policy of encouraging with government deposits the growth of this system of irresponsible banking might have had anything to do with the inflation or the collapse. When he wrote to Thomas Cooper in 1814 that he had "always preached against this system," he undoubtedly believed it. What he did to foster the system could not be counted against him, because that was done to further the "reformed order of things."

(It is no uncommon thing, this capacity of men to deceive themselves in the most impossible circumstances. It is not, for example, beyond credence that President Hoover and his court, during the most recent of our many periods of inflation, honestly believed the nonsense they were babbling about the "new order of things," the "abolishing of poverty," and all the rest of it. To accept this possibility as the truth means merely the marking up of their common morality at the expense of their common intelligence.)

If the reader, like this writer, has not so far gained a clear picture of what manner of man Jefferson was, the fault possibly lies not entirely with us. He was not a clear person. He was even less so than are the great majority of the arresting figures of the past. He is figuratively seen through the fogs of his own exoticisms, his shrewd party maneuvers, his petty duplicities and jealousies and ineptitudes, and the dust-clouds of his furious, if often

futile, struggle for the advancement of human dignity — all of this murkiness sometimes momentarily lighted, but never really illuminated, by blinding flashes of inspiration.

Nor, as has been indicated, is a study of his writings greatly revealing. For example, he endorsed Paine's *Rights of Man.* He also endorsed John Taylor's idea of a democratic structure on the basis of slave-holding small farmers. Then he endorsed John Adams's beatific vision of government by a *papier mâché* aristocracy. There is nothing sinister, nor even fundamentally inconsistent, about this epidemic of testimonials. It means simply that Jefferson was a great endorser — a sort of prototype of the society queens and motion-picture actresses of today, who will endorse anything. While he fully sensed that governments are operated by men and not by laws, he had the gentleman's mistaken but instinctive desire to keep political differences apart from personal ones. He was temperamentally a man of peace, and he liked to be on terms of friendly intercourse with even his political enemies. His endorsement of Adams's pamphlet may certainly be dismissed as a mere act of courtesy. It was in the form of a personal letter. Moreover, all of these documents were, in their different ways, exceedingly well written ; and Jefferson had an appreciation of artistic craftsmanship in many directions. In fact, this backwoods gentleman was sensitive to beauty in a degree far beyond the average of his class and period. It is at least possible that in an earlier civilization he would much more nearly have resembled a Mæcenas than a Gracchus. And he was not without his points of resemblance to that high-sounding but shifty spellbinder, Marcus Tullius Cicero.

Jefferson apparently experienced not the slightest difficulty in reconciling his ideas on the application of democracy with his distrust of unchecked majority rule, or with his ideas as to slavery and the urban masses. Of the latter he said, "The mobs of great cities add just so much to the

support of pure government as sores do to the strength of the human body." Thus, the accidents of residence and employment automatically destroyed the divinity in the images of God. Slavery he knew to be cruel and immoral, and there is the awful voice of prophecy in his "I tremble for my country when I reflect that God is just." But his prophetic concern *for* his country did not lead him to believe that slavery was the concern *of* his country. It was a matter of personal ethics, or at most an institution to be dealt with according to the determination of the individual States. Perhaps, in a large sense, he was right.

Much has been made of his feud with John Marshall over the exercise by the Supreme Court of the unconstitutional power of veto. But his quarrel with Marshall was not over the usurpation *per se*. Its roots lay in the fact that Marshall was the one immovable institution of the Funding Fathers — the rock on which they rested secure in the enjoyment of special privileges. If Marshall had usurped this power in what Jefferson conceived to be the interests of the Republican party, there would have been no quarrel. His own purchase of Louisiana rested largely on the extremely slender foundation of the treaty-making power lodged by the Constitution in the Executive. By a Jeffersonian stretching of this same power, President Wilson, with the concurrence of two thirds of the Senate, might have retroceded New Mexico, Arizona, and Southern California to Mexico as the price of her neutrality in the World War. The Constitution gives the President and the Senate as much authority to part with the territory of the United States as it does to acquire such territory — which is to say that it does not grant any such authority at all. Jefferson took no part in the Constitutional Convention, and his criticisms of the document there produced were two : first, the failure to include the Bill of Rights immediately afterward covered in the first ten Amend-

ments ; and, second, the failure to give to the Supreme Court a veto power equal to that of the President. This second proposal, even in a modified form, was repeatedly voted down in the Convention. In effect, Jefferson denounced Marshall for grasping a power which he, Jefferson, believed should have been constitutionally granted.

(Marshall's defense of this usurpation, asserted in the famous case of *Marbury vs. Madison,* is a masterpiece of legalistic evasion of the fundamental issue, *i.e.,* the fact that, under the Constitution, Marshall had no right whatever to be doing any official reasoning on the point of his authority. The Constitutional Convention expressly refused to grant him authority even to bring up the question. He might, with propriety, have suggested a Constitutional Amendment.)

Jefferson's moments of inspired vision were not confined to slavery. Even in the comparatively early *Notes on Virginia,* he foresaw the menace of invisible government.

"The public money and public liberty," he wrote, "intended to be deposited with the three branches of magistracy, but found to be inadvertently in the hands of one only, will soon be discovered to be the sources of wealth and dominion to those who hold them ; distinguished, too, by this tempting circumstance, that they are the instrument as well as the object of acquisition. . . They [the leaders of the people] should look forward to a time . . . when corruption will have seized the heads of government, and be spread by them through the body of the people ; when they will purchase the voices of the people and make them pay the price."

Incredibly, the safeguard against this peril was to turn the Senate over to the wealthy class. The poor would be represented in the House. In this way the nation would receive "those benefits which a proper complication of principles are capable of producing." We have certainly had much experience with the "complication of prin-

ciples," but the propriety and the benefits of the complication are at least debatable. Later, after observing the activities of the Funding Fathers, Jefferson changed the point of emphasis in this outline of government. "The only correction for what is corrupt in our present form of government," he wrote in 1791, "will be the augmentation of the numbers in the lower house, so as to be a more agricultural representation, which may put that interest above that of the stock-jobbers." It will be recalled that in the winter of 1931–32 it was the lower house which persistently put the cause of the common man above that of the stock-jobbers — and it was volubly cursed by the metropolitan press.

All through the eight years of his Presidency, Jefferson had plenty of technical grounds for war against England or France, or both — just as, and for precisely the same reasons, we had ample technical cause for war against England or Germany, or both, in the period of 1914–17. In the light of recent history Jefferson's remarks on this subject are awe-inspiring :

"When peace becomes more losing than war, we may prefer the latter on principles of pecuniary calculation. But for us to attempt, by war, to reform Europe, and bring them back to principles of morality and a respect for the equal rights of nations, would show us only to be maniacs of another character."

It may be wondered if Woodrow Wilson, in the brief twilight of his life, when he sat broken in body and spirit among the ruins of what might have been one of the few really great lives of history, pondered these words of Jefferson's with a unique appreciation of their truth.

It is regrettable that Jefferson's prescience was not directed to the activities of his friend Thomas Leiper. This man Leiper laid down, in an inn-yard in Philadelphia, two parallel lines of iron bars, making a track some sixty feet in length with a gradient of one and one half inches to the

yard. He demonstrated that a car carrying ten thousand pounds could be easily hauled up this slope by a single horse. Even Jefferson could hardly have been expected to see that some few decades beyond this crude and experimental tramway stood the figures of Whitney and Yerkes, the Morgans and the Rockefellers, and a long history of municipal, legislative, and judicial corruption.

When those kindly and cultured folk to the south of us cannot see clearly the figure of a man through the mists that surround him — and even when they can — they are inclined to treat his memory with that broad tolerance and charity which all of us sinners so sorely need ; and you will occasionally find on a tombstone an inscription closing with some such words as "*que sea su juez Dios*" — let God be his Judge.

It is perhaps an excellent suggestion with respect to Jefferson — especially to be heeded by those who, like this writer, may be prone to see with the easy wisdom of historical perspective only the bulk of squandered opportunity. It is true that there seemed to be in the character of Jefferson a streak of a damned something which forbade him to translate lofty thought into brave action — an evil insulation between the inspirations and the motor-centers of his soul. His noble indignations were too often ignobly harnessed to party intrigue, or chilled on the heights of exalted exoticisms. He set forth, at the very least, to scotch the snake of invisible government, and he never got much beyond scolding it — not even when it was plainly swallowing his party. That there was in this failure much of a drugged optimism, and nothing of obliquity, only deepens the note of the tragedy.

But Jefferson's deeds for good or ill, or rather the lack of them, are even now nearly forgotten. His words will live so long as men shall love liberty — so long as they will on great occasion brush aside the "invincible instincts" of self-preservation and self-aggrandizement and go out to die

for a flag, for an altar, for a song. This is as it should be, both as to memory for his words and as to oblivion for his inertia. For his words were mighty things. All else is worthless if liberty is lost, and to the end of his days Jefferson hammered at this text. He begged us never to treat lightly those blood-bought rights which seem to us in our fatuity to be as natural and eternal as the sunlight and the tides — the rights to speak and think and write and drink as we please, to take our mates, and own our homes, and rear our young, and make our laws, and choose our enemies. "They always must be with us, or we die." He pleaded with us, for our sakes, never to give ear to the corrupt or the cowardly, or to the overwise who deify the belly-need — those who, for example, would have us barter fundamental liberties for a mess of vanishing meal-tickets. Eternal vigilance against these enemies of liberty was his warning, a warning never more needed than today when even the meaning of those centuries of riot and rapine, of sword and shot and axe, which won for us this simple priceless freedom, is all but lost. If liberty is sold for any consideration, then nothing that we hold dear can we hold safe — not our wives, nor our wines, nor our songs, neither our homes nor our hopes, the bread of our children nor the bread of our souls. The men of our tradition can never love nor laugh in slavery, and the meat of bondage at last will choke their throats, no matter what deceptive garlands of "scientific" promise the chains may bear. In the year of grace, 1932, our fellow-citizens in great numbers in the State of Maine and elsewhere in the Union were successively deprived of their incomes, their homes, and their votes — all by a process of what is quaintly called law. All that these men had left to make them other than the beasts that perish was their holy anger — the anger which Jefferson prayed might never cool. When the news came to him from Massachusetts that the brave veteran,

Captain Daniel Shays, had once more in the name of freedom taken weapons from the wall, he exclaimed :

"God forbid that we should ever be for twenty years without such a rebellion !"

Wherefore it is fitting that we who love liberty should give him honor. If the lightnings which played from him were only heat-lightnings, not the instant heralds of the cleansing storm, yet they were — like heat-lightnings — the sure warnings of a far-spreading sickness which only storm may cure.

In conclusion, attention should again be directed to the fact that it is necessary to make more than a casuist's distinction between Jeffersonian idealism and Jeffersonian leadership. The latter must be charged with a large share of the responsibility for the solid establishment of those instrumentalities of special privilege which are aimed at destroying the very liberties immortalized in the ideals. The entrenchment of the principle of protection as a special graft for special interests, and similar corrupt subsidies, and the misuse of the public funds for the benefit of the dishonest and the privileged — all these reached a lusty infancy under the Virginia Dynasty, which was dominated by Jefferson and which came to an end only in 1824.

In this writer's view, it is not to Hamilton and Jefferson that we should look to see how the battle-lines were at last firmly drawn between the champions of the people and the forces of invisible government, but rather to John Marshall and to John Taylor. Marshall, by virtue of his unique position and his swift boldness, backed by one of the most adroit and incisive minds of history, was easily victorious in that early and all-important conflict. Those who should have been Taylor's leaders refused to be even his followers. They surrendered in the hour of victory.

Yet Taylor has millions of followers today — millions who have never even heard of John Taylor of Caroline.

Beneath the sham-battles of our current politics the intuitive wisdom of the mass of men may be temporarily doped, but it does not die. And this power may at any time again break forth to bring about a sharp re-alignment of the only two forces which have ever existed in our polity — those who believe in a free and individualistic commonwealth, and those who believe in government for special privilege. Nothing savoring of the Marxian socialization of those fields of human action which we hold to be inherently individualistic has ever gained a place in our political psychology, save in those instances where the servants of invisible government have held it to be the duty of the national Government to subsidize a favored few in their economic activities, and to come to their aid with the tax-funds of the people when corruption and incompetence have brought these favored ones to the edge of ruin.

CHAPTER V

"PROSTRATE CONSCIENCES"

THE "Era of Good Feeling" which began with the election of Monroe in 1816 was so called not in irony, although it might well have been. The phrase meant that party politics had been adjourned and factional politics had not yet made head. The powers of invisible government had so completely captured the command of the army of Jefferson that there was on their part no room nor need for other political machinery. The common folk, who would have rallied to a new democratic party, did not as yet fully realize what was being done to them.

On the other hand the old die-hards of the Funding Fathers were, as a party organization, politically dead. The infamous Hartford Convention, fathered by Timothy Pickering (of the mysterious half-million dollars in Adams's administration) and called to discuss secession and a possible alliance with England in the midst of war, had about killed them — despite the fact that Timothy Dwight and other godly patriots delivered sermons on such texts as "Come out from among them and be ye separate." They traded with the enemy so long as there was anything to trade. McMaster says that the few roads leading into Canada were so choked with wagons of supplies that the four-footed merchandise, such as cattle, had to be driven through the woods. A coastguard was established in the vain attempt to prevent the embattled New Englanders from selling supplies to the British warships off the coast. As a result of these activities, and from other and legitimate

causes, much of the specie of the country accumulated in New England, giving the wealthy of that section an excellent opportunity to sabotage the war-loans. This they did. All the banks south of New England were forced to suspend specie payments. In the face of the Constitution, Massachusetts and Connecticut refused to put their militia under the command of the President to fight "Mr. Madison's war."

Again and again, both before and during the war, the leaders of New England asserted the right of Nullification, and even of secession. The remnant of the Funding Fathers, and their political heirs in that section, embraced the most extreme State Rights doctrines of the left-wing Jeffersonians. "The State of Connecticut is a free, sovereign and independent State . . . the United States are a confederacy of States," the Government of Connecticut officially warned the Government of the United States. Daniel Webster declared the Conscription Act (they did not coat the pill with "selective service" sugar in those days) to be "an exercise of perverse ingenuity to extract slavery from the substance of a free government," and he darkly hinted at secession on the floor of the Congress — with a word about "Liberty *and* Union, one and inseparable, now and forever." All the war measures were "unconstitutional," and Josiah Quincy of Massachusetts proclaimed that "the people of each of the associated States are competent not only to discuss, *but to decide !*"

It is said that when acid John Randolph of Roanoke read that Massachusetts — *Massachusetts !* — was standing up for State Rights and Nullification his shouts of mirth shook the house-beams of his home.

That these activities and passivities were not entirely popular with the commonalty of those parts is indicated by the fact that Massachusetts led all the States, save New York, in volunteering for the Federal army. The wealthy ship-owners insisted that the impressments of American

seamen by the British navy were greatly exaggerated. Moreover, they really did not mind losing a few men in this way so long as they could keep their ships profitably at sea. The friends and relatives of the impressed, and those who escaped by desertion, were not quite so philosophical about it. This would probably explain, at least in part, the heavy volunteering in Massachusetts and New York.

By the close of Madison's second term, much of the sectional bitterness engendered of the generally inglorious and stupid brawl which we call the War of 1812 had lost its savor. The war, however, bequeathed to the country one disastrous heritage. Owing to the temporary dislocation of our ocean-borne commerce — which constituted New England's grievance — there had been a hot-house growth of inept manufacturers. These now demanded that their second-rate products be protected from competition in the home market with better and cheaper goods from abroad.

As William Graham Sumner — following the path blazed by John Taylor — observes, in his *Lectures on the History of the Protective Tariff*, this is one of the most fantastic of all the arguments for the protective system. Because, under the stress of war, we have been forced to accept certain hardships and economic injustices, we are then asked deliberately to fasten those evils on ourselves in time of peace.

Comparatively few statesmen in our country saw the true significance of this swindle at the time. John Randolph of Roanoke, alone of the Southern leaders, foresaw the ruin of the agricultural South. Daniel Webster held out against it for about a dozen years, because New England's wealth was still largely invested in shipping, which was favored by the Government with an indirect subsidy. Webster was afraid that the tariff would hurt the carrying trade; but he was, of course, heartily in favor of the Navigation Laws which subsidized American bottoms.

The tariff bill of 1816 was drawn by a committee headed by John C. Calhoun of South Carolina — a touch which, as will be seen, was worthy of a Greek dramatist. Calhoun believed that the tariff would benefit the rapidly developing cotton-growing interests of the South. Henry Clay was for it because he wanted to protect the inferior dew-rotted hemp of Kentucky from the water-rotted hemp of Russia. Clay was the great standard-bearer of protection and the darling of the Northern manufacturers, who strove repeatedly to have him elected to the Presidency. Our first considerable school of economists appeared at about this time, and Hezekiah Niles, Matthew Carey, and others began writing vigorously in favor of the "American system" — which, as Webster remarked, was not the American system at all, and was not even a good foreign system. Probably none of these men — politician or publicist — was at this time merely the conscious tool of selfish interests. All doubtless believed that they were taking a statesmanlike view of an important economic measure. The open and shameless parade of the privileged through the corridors of the Capitol began somewhat later, swelling a little each year, until it has now grown into an impressive procession.

Although the principle of protection had received a distinct blow in our first revenue bill, which was drawn by Madison and introduced in the Congress before Hamilton had settled himself in office, the Tariff of 1816 was the first that was frankly based on the idea of protection as a policy of national statecraft, apart from the raising of revenue.

At about the same time Madison, who had so ably argued that the First Bank was unconstitutional, signed the bill chartering the Second Bank of the United States. The currency was in a chaotic condition. Furthermore, between 1812 and 1816, we had sold about $80,000,000 of bonds for approximately $34,000,000 — some of the finan-

cial wizardry of G. W. Campbell, and his predecessor, William Jones. It was a wide-open opportunity to repeat Hamilton's funding and inflation scheme on this broad margin of $46,000,000 which had never been paid into the Treasury. For this and kindred reasons a new national Bank was demanded by the high priests of invisible government. William Jones, one of the "financial leaders" who had brought the Treasury and the currency to this pass, was naturally chosen to be the first president of the Bank.

Both of these measures — the tariff and the bank-charter — were unconstitutional. There is not much room for honest argument about that. It is vain to tell a man in Michigan, who happens to be fond of lemon pie and therefore objects to the high cost of lemons, that the tariff against lemons applies to the whole country and he can raise his own citrous fruit. Not even the Government of the United States can empower a man to raise lemons in the suburbs of Duluth. A farmer in Nebraska cannot bring down the price of overalls to a reasonable figure by threatening to make them himself, because everyone knows that in Nebraska he has neither the cotton nor the power. Therefore we have free trade among the forty-eight States, and it is considered an excellent arrangement. Just why free trade should be beneficent between Massachusetts and New Mexico, but malignant between Ohio and Ontario, has never been made clear. It never will be. But a blanket court decision along these lines would encounter grave difficulties. Tariff bills are technically revenue measures, and it would certainly be unconstitutional to assert that the Federal Government has no right to raise revenue by a tax on imports — although it may be soundly argued that there should be an obligatory and equal excise tax on home products to remove the "incidental protection."

The charter of the Second Bank of the United States

presented no such difficulties. It was a clear-cut question as to the power of the Congress to permit the incorporation of such an institution under the ægis of the Federal Government. An opportunity for a test case arose when Maryland levied a tax of ten percent on the Baltimore branch of the Bank. J. W. McCulloch, cashier of the Baltimore branch, refused to pay the tax, and the case went to the Supreme Court of the United States.

It must be borne in mind that the corruption and mismanagement in the early operations of this institution did not become matters of common knowledge until years later. There was a distinctly friendly feeling towards the Bank on the part of a very considerable honest and influential portion of the community. Even those who privately entertained no doubt that there was no legal warrant for the institution were willing to stretch the Constitution on the theory that the Bank was well on its way to solid and sorely needed public service, not only as the fiscal agent of the Government, but also in the vastly more important work of establishing a uniform currency.

Thus, the famous case of *McCulloch vs. Maryland* was heard in an atmosphere comparatively free of hostility. What was articulate in public opinion was generally in favor of the Bank. The latter was represented by an imposing array of counsel, with the mighty Webster at the head ; and these were opposed by almost equally heavy legal artillery. Webster delivered one of the most powerful arguments ever heard in court. Marshall's oft-quoted dictum, "The power to tax is the power to destroy," was taken almost word for word from Webster's address. (The "god-like," a Senator of the United States, was not only of counsel for the Bank : he became a director and a considerable borrower as well. Naturally, he would put a great deal of feeling into his effort.)

Marshall, as Chief Justice, delivered the judgment of the court in favor of the Bank in that celebrated decision,

which — as Albert J. Beveridge points out in his *Life of John Marshall* — must have been largely prepared in advance. In any case, the work of preparation was not slighted. Even apart, if that were possible, from its immense importance in the development of our political tradition, the opinion deserves to rank among the great state papers. Probably no stateman in our history, not even the gifted Burr, could have equalled or even approached it. Long as the document is, it holds the reader enthralled like the swelling of a great symphony. Indeed, in structure and method it much resembles that purest form of organized music.

Marshall opens with a few breath-taking sentences like that blast of brass which ushers in the first movement of Beethoven's incomparable Fifth. And then through page after page, and argument upon argument, the reader fights to preserve his own idiom of political integrity under a weight of logic which rolls over his intellectual resistance like a mass of polished stone. The work awes. Almost, it compels acquiescence in the very moment that the reader's own intelligence is telling him how the trick was done. At the end of the struggle he feels as if he had been physically beaten with the fists of an immeasurably more powerful adversary. And it is with something like an actual gasp that he clutches the talisman which brings this assault to naught — the fact that the Bank of the United States was created without Constitutional authority in the interest of a privileged class, and contrary to the plain intent of the Founders.

The omission — from the grant of power which we call the Constitution — of the authority to create a central bank was in no sense an oversight. Banks were extremely unpopular, and were rightly viewed with suspicion. In 1781, the Bank of North America was chartered as a war measure — Massachusetts voting against, Pennsylvania dividing, and Madison of Virginia voting no. With the

coming of peace, public opinion was directed against the institution as a menace to social and political liberty ; and the charter, war being over, was of such doubtful legality that the directors, even in those slack days, did not feel safe in operating without a State charter.

Moreover, the banks irritated folk by insisting on commercial punctuality. This, as Sumner observes (*A History of Banking in the United States*), would have been a distinct public service but for the fact that the banks were not punctual themselves, nor with each other. They "suspended" and "failed" at will. Their charters were often obtained by bribery of State legislators and (in Jefferson's phrase) "corrupt services to many." As we have already seen the First Bank of the United States was conceived in iniquity. During the bull market of 1791, the Bank of Massachusetts coolly suspended for some six or eight weeks, so that the "son of the president" and a couple of his friends could use the assets of the bank to gamble in the stock market.

Many years later, John Quincy Adams summed up this cynical confidence game of "suspension of specie payments" as neatly as that clean patriot could sum up most forms of skullduggery.

"What is the suspension of specie payments but setting the laws of property at defiance ?" he wrote in a public letter in 1837 — thus echoing John Taylor's rage against "property transfer," or legalized theft. "If the president and directors of a bank have issued a million of bills, promising to pay five dollars to the holder of each and every one of them, the suspension of specie payments is by one act the breach of a million of promises. What is this but fraud upon every holder of their bills, and what difference is there between the president and directors of such a bank and the skilled artist who engraves a bank bill, a facsimile of the bill signed by the president and directors, and saves them the trouble of signing it by doing it for them ? The

only difference that I can see in the two operations is that the artist gives evidence of superior skill and superior modesty. It requires more talent to sign another man's name than one's own, and the counterfeiter at least does his work in the dark, while the suspenders of specie payments brazen it in the face of day, and laugh at the victims and dupes who have put faith in their promises."

It is not surprising that an attempt to include the charter-granting power in the Constitution was defeated in the Convention. It is almost certain that its inclusion would have resulted in the rejection of the whole document. For the reasons already set forth, the mass of the people would have opposed this provision, and they would have been backed by the influence of many State and private bankers who feared a powerful rival.

Against this background it is inconceivable that it can be honestly argued that there was an "implied power" in the Constitution to create a central bank of issue under private control. And as the plangencies of *McCulloch vs. Maryland* die away, and the arguments are taken out and objectively examined, the wonder grows that this feat of logic-juggling could so nearly have undone the reader's power of selective intelligence. For Marshall's arguments in essence then prove to be so fragile that it seems impossible that they could ever have worn the aspect of an avalanche. The gravamen of the whole dispute was the constitutionality of the Second Bank of the United States. Marshall held that the Second Bank was Constitutional because the First Bank was. The First Bank was Constitutional because Hamilton, the father of the Bank, said that it was. He said so in a private opinion, handed to Washington in his capacity as Cabinet officer. Against him was the overwhelming weight of Madison — "The Father of the Constitution" — and Jefferson, and even the comparatively feeble Edmund Randolph. Washington, with what hesitation we have seen, signed the bill, and the Bank

operated under this authority until 1811, when a renewal of its charter by the Congress was denied on Constitutional grounds. It is important to keep in mind that here was no question even of "protecting a vested interest" by keeping in being an existing institution accepted by usage. The new Bank was a new question.

Absurd analogies are frequently most effective. Marshall's contention was as if Smith had come to the house of his friend Jones to walk off with the latter's underwear, and the court were to take this position :

"We find that the complainant's father was the victim of the same sort of trick nearly thirty years ago, but as he did not know his way to the police-station, and therefore did not raise sufficient hell to insure the return of the goods, we do not see that this complainant is any worse off than his father was. Moreover, when the complainant protested to the policeman on the beat, he was informed that the policeman held it vitally necessary to the proper discharge of his police duties that Smith should have Jones's underwear. The policeman must be the judge of what is necessary in police work, so the complaint is dismissed."

With what might be called Marshall's secondary argument in this case, there can be no quarrel. Under the Constitution, that document and the laws "made in pursuance thereof" are the supreme law of the Union. The colossal effrontery of the proceedings lay in his openly taking the position that he and Hamilton alone knew what the Constitution said, or should say, and that what these two paladins of special privilege said on this subject must be the last word.

The plain truth was that Marshall was manipulating a gigantic shell-game — the pea, popular liberty, darting with baffling rapidity from one brightly polished shell to another, these last in the form of court decisions which proclaimed themselves to be the law above all other pronouncements. And it may be taken for certain that there

was nothing fortuitous in this highly skilled performance. It is an insult to the memory of a man conspicuously endowed with brains, bowels, and humor to assume that he did not know exactly what he was doing.

Before his elevation to the bench, Marshall appeared as counsel before the Supreme Court (*Ware vs. Hilton*) and in the course of his argument declared :

"The judicial authority can have no right to question the validity of a law, unless such jurisdiction is expressly given by the constitution."

This is simply common sense. It is the answer to all of Marshall's stirring sophistry about "government by the people" in *McCulloch vs. Maryland* and his deft evasion of the inherent Constitutional prohibition of such usurpation in *Marbury vs. Madison.* It would be a blasphemy against the reverently acclaimed wisdom of the Fathers to argue that men who showed such skill in governmental house-building intended that their whole structure of representative government should be made farcical at the will of a majority of a small sub-committee of men taken from private life, appointed by the President, chosen without sanction of the people, untouchable by any authority, and endowed with power not only to override the will of the people and of their chosen representatives, but actually to nullify the acts of their own creators, the President and the Senate. It is fantastic. No nation of the western world which makes pretense of popular government, under either a written or an unwritten constitution, confers anything like such absurd powers on its judiciary.

Moreover, Marshall knew as well as, or better than, anyone that the government of the United States was not formed by the people of the United States, nor accepted by them as a people. In point of fact, there is little doubt that the people as a people would overwhelmingly have rejected it, if they had had a fair and full opportunity for discussion and secret ballot. The document was drawn

by delegations representing sovereign States, voting as States, and in some cases, ratification was procured by methods which were politically dishonest. It was further provided that the document so drafted could have no force until nine of these States, each acting in its sovereign capacity, should accept it as the basis of a Federal Union.

The powers of the States, which Hamilton and Marshall aimed to overthrow, were expressly reserved by the people *through the States* as a safeguard against this very form of Federal usurpation. Pleading for the ratification of the Constitution, in the New York Convention, Hamilton tried to dismiss the fears of the masses, and to veil the powers for oppression latent in a Federal Government to be controlled by the Funding Fathers, by an argument towards the absurd — an argument which in truth set forth not an absurdity but a prophecy.

"The human affections, like the solar heat," he said, "lose their intensity as they depart from the center, and become languid in proportion to the expansion of the circle on which they act. On these principles, the attachment of the individual will be first and forever secured by the State governments ; they will be a mutual protection and support. Their powers are such as . . . affect their property, their liberty and life. What is more important than the administration of justice and the execution of the civil and criminal laws ? [These powers, it will be observed, were, according to Hamilton, reserved wholly for the States.] . . . The States can never lose their powers till the whole people of America are robbed of their liberties. These must go together ; they must support each other or meet one common fate."

They have met it. A long period of usurpations reached its climax in that monstrous child of fanaticism, cowardice, coercion and corruption — the unconstitutional Prohibition Amendment. The most illiterate at last can read in this act of tyranny the nation-wide de-

struction of individual liberty. It speaks eloquently for the patience and good sense of the people that none of the States has so far gone beyond passive nullification, with its moral encouragement to individual revolt. The people and the States have indeed gone down together. [This was written in the spring of 1933 before repeal became a certainty. EDITOR.]

"We, Sir, idolize democracy!" exclaimed Marshall in the Virginia Convention, when he was defending against the onslaughts of Patrick Henry an instrument of national government which ignored every fundamental right for which the people had fought through seven bitter years. It is not recorded that then he wiped his lips and drank. He and Madison and the other leaders were forced to give definite pledges that these rights would be immediately included in a series of amendments. Liberty was an afterthought: Privilege was their Shekinah.

Reading through this debate, the marvel is that anything was accomplished for the benefit of the common folk. It is almost unsportsmanlike to compare Marshall's vibrant periods, his smooth and well-rounded arguments, with Henry's sputtering and unorganized anger. The contrast is pathetic, not the least of the pathos being that Henry was right.

No intelligent layman need fear to study Marshall's important decisions and addresses, and to challenge his arguments — at least, there is no reason for fear now that he is dead. His own formal education in the law was of the sketchiest. As counsel, he always desired to be last to address the court, so that he could profit by the expert knowledge of his colleagues and adversaries. In his arguments and opinions, there are no references to some early Colonial magistrate who followed the after-dinner dicta of a drunken justice of the peace in the time of Charles I, whose boozy utterances seemed to be based on something that a Baron of the Exchequer might have thought when

Edward IV was King — the whole concluding with a solemn invocation of the doctrine of *stare decisis.* Marshall did not stand by any decisions but his own. He was not following law : he was illegally making it — and making it with an intellect which truncated diffuse and wandering opposition like a guillotine — the edge of a razor and the weight of a truck — and with the same oblique stroke.

Yet of all the men of those great days, with whom it would have been joy to foregather in a barroom, outstanding are Burr and Marshall — especially the latter. On the bench he was awful of mien. Over six feet, gaunt and long-limbed, he had a pair of remarkable deep-set eyes, which could silence, or straighten out, a babbling counsel with a stare as blank and menacing as the business end of a double-barrelled shotgun. (On the physical side, it is related of him that when he was in charge of the "winter sports" at Valley Forge, he jumped a stick placed on the heads of two men his own height. Considering the total absence of professional coaching, without which the modern college boy seems unable to get any exercise, this was a phenomenal leap.) He played, with a solemnity befitting the rôle, his all-important part in Hamilton's cynical drama of centralization and subversion, but he always made haste to doff the buskins. He was fond of quoits, but his idea of real fun was to meet with boon companions in a tavern at the close of the day ; and there, with good food and better drink, to burlesque the solemn arguments and decisions of the august court over which he presided. Momentous issues were canvassed and determined. Which was winner when one quoit lay exactly upon another ? Which was of superior flavor, the Maryland or the Virginia ham ? There may have been something, a touch perhaps, of a little more than gay nonsense in this last. The heaviest attacks on *McCulloch vs. Maryland* came from Virginia — notably from John Taylor and Judge

Spencer Roane, the son-in-law of Patrick Henry. The latter largely defeated his own arguments by his uncontrolled bitterness, but "the great Taylor," as Senator Beveridge called him, always had the power to make Marshall uneasy. Alone of his contemporaries, Taylor was Marshall's equal in intellectual strength, and his superior in intellectual integrity.

Even in those days of reckless slander, no one, so far as this writer has been able to discover, ever breathed a whisper of suspicion against Marshall's personal honor. He was a man of a transparently upright life, who loved good liquor and good laughter, and all clean fun. A colleague, waiting until Marshall should have had time to send for and consult an important document, at last hurried impatiently to his office, and found the Chief Justice of the Supreme Court — conferences and causes forgotten — down on his knees on the carpet, deep in an exciting game of marbles with the messenger-boy. The accidental loss of fifteen dollars from his vest pocket was a financial disaster of such magnitude as to call for a special letter to his "dear Peggy." Take him all in all, he was a man.

Thus, the first real protective tariff and the Second Bank of the United States were simultaneously and lawlessly launched. And, both operating to that end, one of our periods of wild inflation set in. Not the least of the curses of the protective system lies in its irresistible invitation to the incompetent and the greedy to flood the market with shoddy goods — until prices break, and thus periodically defeat even the selfish purpose for which the tariffs were created. The people say in effect :

"It doesn't make any difference, Mr. Smith, whether you know anything about making shirts or not. You just go ahead and make poor shirts, and we will let you tax us an additional fifty cents as a reward for the great service of preventing us from getting a good shirt at a reasonable price from England."

This naturally results in a proud "increase of industries." Herbert Hoover, as Secretary of Commerce, boasted that in his term of office an additional $5,000,000,000 had been invested in industry, although in 1920 we had at least three times as much machinery as could possibly be employed to profitable advantage. We should be much better off today if this $5,000,000,000 had been squandered on diamond necklaces for courtesans, or gambled away at the race tracks. Of course the political crime lay in permitting the inflation which made possible this insane accumulation and investment. In a minor key, the identical train of tragic stupidities marched on in those days.

A current step was, naturally, the formation of inflated stock companies. It was so easy to prove that under the tariff these companies must make money. Corporations were also formed to take up huge tracts of land for colonization and exploitation. Seldom was there any serious effort in the first direction, and generally the only exploitation was of the small investors who bought stock in these great swindling schemes. The mania for speculation also affected real-estate prices in the cities and their suburbs, in all parts of the country, property a mile from anywhere sometimes advancing a thousand percent. Building lots on the outskirts of Shephardsville, Ky. (if anyone now knows where that is), sold at prices higher than those paid for choice sites on the principal street of Louisville more than half a century later. The Bank of the United States far overstepped the safe bounds of note issue, and the State and private banks frequently issued notes to the face value of seven or eight times the amount of their supposed specie capital. Hamilton had oracularly declared it to be "a well-established fact that banks in good credit can circulate a far greater sum than the actual quantum of their capital in gold and silver." He did not say how long they could continue to be in "good credit" under that system.

"This is the fundamental notion of juggling with bank issues," comments Sumner. "He here planted a germ which grew to great size . . . and produced most evil fruit. It taught the banker that his legitimate business was to carry on a kind of high-class confidence operation." It is remarkable how many of our misfortunes trace directly back to Hamilton.

The American people were now to gather a crop of this fruit in a great harvest. They had presented the savings of labor, the legitimate profits of business, liens on the other solid accumulations of individual industry, in the shape of mortgages on houses and farms, and so on, to financial thimbleriggers in return for worthless bits of paper. Then the banks "contracted," suspended, and repudiated. They insisted on the full payment of every obligation due them, but refused to meet their own. The Bank of Pennsylvania in a period of a few months "contracted" from more than three millions of dollars to little more than one million. The result was collapse of the prices of real property, and, amid a shower of commercial crashes, houses and farms were transferred to the banks *en bloc*. A bill was introduced in the State Legislature calling for the "annihilation of every bank in the Commonwealth."

"It was not even honest gambling," wrote Sumner. "It was gambling in which one party had never put up any stakes." This, in company with others of the foregoing, is an observation which has recent and acute application.

Almost synchronously with Marshall's decision upholding the Bank, the "leaders of finance" exploded the bubble. The first warning came when a Congressional investigation revealed that the Bank had been guilty of some technically illegal juggling with Government securities, and also guilty of the clearly illegal act of paying dividends to subscribers who had paid in only a fraction of the subscription price of their stock. (From this it may be learned afresh that

Congressional investigations are always "bad for business.") This report merely scratched the surface. It was, however, sufficient to impel William Jones, the president, to flee "in affright from the institution," when the news reached him at his office in Philadelphia. Others who had always wanted to visit South America and similar remote parts of the world found this a convenient time to go traveling.

In his "Memorial" to Congress, in answer to the charges against him, Jones's explanation of an item of $18,000 — tossed to him by George Williams, Dennis Smith and other crooks who were using the funds of the Bank to inflate the Bank stock — sounds like an echo of a recent investigation of municipal affairs in New York City. The presentation of this tidy little sum was simply "an act of personal friendship and accommodation."

No one can but feel sorry for Jones. His disastrous career was partly the result of our habit of politically rewarding "old soldiers." He had fought with fine gallantry by land and sea in the War of the Revolution, and had been twice wounded and made prisoner. His most amiable trait was a respect for learning. He was a member of the American Philosophical Society, and himself wrote learnedly on "Winter Navigation on the Delaware." Left to himself he would probably have gone on to a quiet and respected old age. Without any talent for finance or embezzlement, he was made to be a mask for a gang of respectable thugs.

Langdon Cheves of South Carolina, one of the ablest men of his day, was called to the presidency of the Bank. As Speaker of the House in 1815, Cheves had cast the deciding vote against the charter, and thus postponed the creation of the institution until the following year. Now he saved it, but not from its heavy losses through swindling ; and it was much too late to save the country — if, indeed, that had ever been possible.

These preliminary rumbles came in the midwinter. In the spring of 1819, the great house of Smith and Buchanan in Baltimore collapsed. Old General Samuel Smith, another brave veteran, was the titular head of this firm. John Quincy Adams says in his *Diary* that the smash-up nearly killed the old man. This failure was a disaster comparable to what the failure of Morgan and Company would be today. "The moral, political and commercial character of this city of Baltimore," wrote Adams, "has, for twenty-five years, been formed, controlled, and modified by this house of Smith and Buchanan, their connections and dependents." He also remarks that the "affairs of the house appear to have been desperate for many years." This may explain in part why James A. Buchanan, one of the partners, who was also president of the Baltimore branch of the national bank, and J. W. McCulloch, the cashier of the Baltimore branch, whom Adams describes as a "creature of the house" of Smith and Buchanan, together with George Williams, a director of the parent bank, decided on a final coup by plain larceny of the funds of the Bank of the United States.

"Buchanan and McCulloch have used the funds of the Bank as if they had been their own," declared Adams. This is an understatement. "Financiers" seldom use their own money as blithely as they use other people's !

This trio borrowed from the central Bank in Philadelphia over $1,900,000, on about eighteen thousand shares of Bank stock, thus exceeding in loans the par value of the collateral. Then, through their control of the ordinary activities of the Baltimore branch, they negotiated other loans to the amount of $1,540,000 from the Baltimore office "on the pretense of securing it by pledging the surplus value of the stock already pledged at the parent Bank for its par value and more."

Kreuger and Insull and the sharpers of the "Bank of United States" in New York, and hundreds of contempo-

rary banking swindlers, invented nothing new. Non-existent "surplus value" was the basis of all their dishonest trickery — along with the kindred trick of substituting worthless for valuable collateral.

When Cheves discovered this "stupendous fraud" he tried to force the thieves to find more collateral. They unearthed some stuff with a nominal value of $900,000, which Cheves thought might have been worth $500,000. This was apparently an estimate almost $500,000 too optimistic ; because, in the windup, this branch was loser to the extent of more than $1,600,000, "the great mass of which grew out of this fraud, and others connected with it." In 1822, the Dividend Committee of the Bank of the United States estimated that the losses at the hands of inside swindlers aggregated nearly $4,000,000 ; but by this time, Cheves had accumulated a fund of about $3,500,000 to cover these defalcations. What the actual figures were will never be known, but this much was traced and admitted.

None of these facts came out until years afterwards, and therefore what would have been the inevitably resultant loss of public confidence had nothing to do with precipitating the economic crash which swiftly followed. Adams took a hopeless view of everything that spring. On April 5, William H. Crawford, of Georgia, Secretary of the Treasury, showed him a letter from Cheves which moved him to write in his *Diary* that the Bank could not survive beyond June.

Cheves was none too hopeful himself when he had obtained a comprehensive view of the results of larceny and incompetence. The details are unimportant. Among other things, the Bank, on April 12, 1819, had actually in its vaults something under $100,000 in specie, to cover $6,000,000 of circulating paper, and to meet other and more pressing obligations. There were, of course, some other assets.

Thus was the currency stabilized and business confidence established by the younger child of Hamilton and the ward of Marshall — the two men in our history most conspicuously wiser than the people, who had refused to grant permission for the creation of such an institution.

The early failure of the Bank to establish a uniform currency, and the peculations of these aristocratic embezzlers, with the resultant consequences for the nation, eventually made for the restoration of a wholesome and implacable political hostility to the institution, which formed the background of Jackson's later and successful attack. Honest Republicans, ignoring Taylor's warning that a thing which is wrong in principle cannot be right in application, had compromised with principle in the name of expediency. They now felt that they had been politically swindled. The fiscal agency of the Government and the stabilization of the currency involved duties "too onerous" to be discharged.

"It is now talked of as rank nonsense that this institution should give us a currency of equal value in all parts of the Republic," wrote Hezekiah Niles, in his *Register,* "but who will be bold enough to say that, without an expectation and a promise of doing this, the Bank would have been chartered? It was *this* and *this only* which dragged the act through Congress, over prostrate consciences, and the Constitution of the United States."

The fact is that this was the principal argument in favor of the charter; and on December 28, 1816, Crawford casually remarked in a letter to G. W. Campbell, then Chairman of the Senate Finance Committee, that the institution had been "erected with the express view of . . . giving a currency to the nation which shall everywhere be of equal value with gold and silver."

Now Niles and others began to talk and write of banks in the terms employed by revivalists to describe a brothel. For this fury there was much justification. Those banks

which occasionally gave a passing nod to solvency constantly robbed the people of their property by artificial inflation and deflation of the currency. They calmly refused to redeem their pledges of specie redemption, and their officers embezzled funds as "loans." Other banks consisted merely of an office and a plate for the engraving of paper money. These bills were payable at a point as far distant in months and mileage as possible. When they were returned, the bank had long since vanished. The multitude of these banks and the slovenliness of their paper invited counterfeiting, which became a major industry. There is an apocryphal story of a man at an Ohio bank who, on being refused first specie, and then funds on Eastern banks, gravely asked if they could not give him some counterfeits on a decent bank, as he would much rather have them than the "trash" put out by the Ohio institution.

Aping their eminent fellow-townsmen, the officers and employees of the City Bank of Baltimore gutted that institution. Every director and employee of the bank, excepting one clerk and the porter — who must have felt much wounded in esteem — was a "borrower." The cashier borrowed $166,548. "His friend," a friend in greater need, got $185,382. One clerk was on the books for $30,000, another for $15,082, and a third for $6324. These sums did not, of course, figure in the larger operations of the directors. The combined "borrowings" of directors and employees exceeded by $100,000 the entire capital of the bank.

In this case, somewhat excessive in application, the principle was quite generally put into practice. Directors and officers held that they had first call on the funds of a bank. "This is the great principle of modern banking," wrote Niles; "a cheat, a bubble, a machine for the exclusive benefit of a few scheming men. . . We have melancholy proof of this at the sacrifice of millions on millions of dol-

lars, by the industrious poor, to pamper the pride and glut the inordinate appetites of *speculating scoundrels.*"

It sounds rather modern. And Niles, as Sumner is careful to remind us, was no ranting agitator. "He uttered the moral indignation of honest men." When a man has in his pocket $500 in bank-notes of the best banks, and is compelled to go about borrowing small change from his friends in order to do his morning's marketing, he is likely to germinate considerable moral indignation. This actually happened to Niles.

In the months that followed, the depression became acute and general. Husbandmen lost their farms, and merchants their businesses. Thousands of normally employed walked the streets of the cities, without work, shelter, or food. In certain trades in Philadelphia, where it was possible to obtain fairly accurate figures, a report of the Committee on Manufactures stated that of 9672 persons employed in 1816, only 2137 were employed in 1819. In that same city, Matthew Carey records, of thirty-seven merchants who signed insurance policies in 1799, all but ten were bankrupt in 1822. Confidence was completely destroyed, and three percent a month was the rate for the best commercial paper.

Many skilled workers, such as shoemakers, tailors, hatters, and the like, who had been induced to come to the new country to work in the new and protected industries, returned to Europe. House-rents dropped from about six hundred dollars a year to two hundred, or in that ratio — and people went homeless. Beef fell from twenty-five cents a pound to eight cents — and people went hungry.

The banks were justly blamed — few, excepting Taylor, seeing at the time that the tariff was at least a party to the crime. In his *Diary,* June 10, 1819, Adams wrote bitterly of the "operations of the Bank of the United States and the gigantic frauds practicing upon the people by means of these institutions. The banks are breaking all over the

country ; some in a sneaking and some in an impudent manner ; some with sophisticating evasion and some with the front of highwaymen."

"It has always been my opinion that of all the evils that can be inflicted upon a free State, banking establishments are the most alarming," declared Niles, without much restraint. "They are vultures that prey upon the Constitution and rob the body politic of its life-blood."

It will be observed that Niles speaks of the peril to a "free State" in these machinations. We form the habit of using such phrases so glibly that they lose their power to convey to our consciousness a sense of their immediate and literal truth, *i.e.*, that the loss of liberty is the direct result of these wholesale thefts of private property. Surely and definitely the powers of corrupt and invisible government work toward the destruction of free government — a fact which at once becomes plain when we take the trouble to glance at the simple fundamentals of all government. There are, as this writer has mentioned elsewhere, three primary attributes of sovereignty, which the sovereign government must hold or cease to be sovereign. These are the power of taxation, the police power (which includes the administration of justice), and the ownership of highways.

It is a vastly important fact that (as history has shown again and again) if the sovereign loses or delegates one of these powers, it is almost certain to lose the other two — and thus forfeit its sovereignty. Feudalism, as a system of government, has always been a ludicrous failure for this reason. The sovereign, because of the lack of adequate communication and transportation facilities, is forced to delegate these powers to feudatories, particularly to the lords of the marches. These swiftly become more powerful than the sovereign, and a new nation gathers around the strongest. This endless process of formation and ex-

plosion is an immemorial characteristic of the feudal system.

Similarly, the sovereign Government of the United States parted with its most important highways when the railroads were permitted to grow up under private ownership. It was a natural consequence that the railroads would take over a huge power of taxation in unrestricted rate-making, and that they would help themselves to the sovereign's domain of public lands. The sequel was inevitable. The tax-funds thus collected enabled the railroads to buy elections, bribe legislators, and corrupt the courts, with the result that for a long time the railroad barons were the real government of the United States — and Colonel William R. Morrisson (Horizontal Bill) cried his warning from the newly created Interstate Commerce Commission : "Own the railroads, or the railroads will own you !"

The breaking of the Chicago railroad strike in Chicago in 1892, by the use of Federal troops and dishonest Federal court decisions, and the imprisonment of Eugene V. Debs and others, were high-handed and utterly illegal acts of tyranny manipulated by a railroad lawyer, Richard Olney, sitting in the Cabinet of President Cleveland as Attorney-general of the United States.

Again, we often hear much about "nuisance taxes." All taxes are nuisances ; and they are, with minor exceptions, parasitical. They interfere with the free and wholesome exchange of wealth which we call commerce. We have to put up with them because we cannot be trusted to behave decently toward each other ; so we are compelled to pay for armies and navies, courts and police, all the costly paraphernalia designed to prevent us from robbing and swindling one another. But our official tax-bill of $14,000,000,000, appalling though it is, with its colossal waste and graft, is almost negligible compared with the annual extortions of private property from the indi-

vidual owners through the delegation of the sovereign taxing power to privileged groups and corporations — the invisible government.

The exchange of wealth, as Taylor pointed out, is beneficial ; but the *transfer* of wealth without fair exchange of value is pernicious, and destructive of economic and political liberty. The artistic color value of worthless stock certificates is not adequate compensation in "exchange" for the savings of a lifetime. This is one of the many shapes assumed by that operation which Taylor called a *transfer* of property. Its most widespread and destructive form is the tariff. This is a delegation of the sovereign taxing power to manufacturers and to certain "extractive" industries. If a farmer can exchange in a free market a bushel of wheat for a shirt, both sides are benefited by the transaction. But if the manufacturer is permitted, by a tariff act, to charge the farmer an additional tax of a half-bushel of wheat, the transaction at once becomes inequitable and iniquitous. Or, the farmer may buy for five bushels of wheat in a free market a good copper kettle of foreign manufacture — until someone in the next county discovers that there is some copper ore under the ground. This should make the kettle even cheaper. But in order that we may make haste to squander our natural resources the farmer is compelled by a tariff law to pay seven bushels of wheat for the copper kettle from the next county, and the foreign kettle is banished from the market. It does not make sense — to anyone but the tariff beneficiaries and company stock-promoters to whom we have delegated the power to collect this additional tax.

The more of such transactions there are, the higher the tariff goes and the more the farmer's wheat loses its purchasing power. He frantically raises larger and larger crops in the vain hope of keeping up with these mounting taxes levied by the powers of invisible government — until at last his wheat becomes practically worthless.

Now the banker who was quite willing to lend to the farmer dollars worth a bushel of wheat demands payment in dollars worth four bushels of wheat, and the farmer loses his farm. He becomes a tenant, a farm-hand, or he comes to the city to seek work as an unskilled laborer. In this latter case, having no residence, he cannot vote. In Maine any man who accepts "charity" — public aid of any kind — is automatically disqualified for the suffrage. Thus the most important liberties have been destroyed. He has been defrauded of his property and deprived of the citizen's right to protest against the robbery at the polls. If he decides to break into the house of one of these authorized swindlers and attempt to regain some of the property which has been filched from him, he becomes a felon and loses the last of his civil rights.

Meanwhile, "Joe" Grundy, perhaps the least admirable of even the Pennsylvania manufacturers, boasts on the floor of the Congress that he has writen every tariff law for the past twenty-five years. And the market-rigger is asked to head a "relief committee" which generally keeps careful list of the recipients of aid, these records constituting by their very existence a silent threat of a sort of social blackmail. Any last trace of self-respect shrinks from the possibility of publicity as an "object of charity."

If there is any money left in the pockets of the thrifty they are "high-pressured" to buy the worthless securities of these swollen corporations, which proceeding always has the tacit, and sometimes the active, approval, of a government subservient to these interests. The banks operate this confidence game by repudiating their only legitimate function — that of extending business credit to business men — and they look coldly on the small business man who seeks a commercial loan on a commercial basis. (An investigation by the National Industrial Founders, the result of which was made public in January, 1933, bears out this statement completely.) He is asked for collateral in

the shape of stock or bonds, *which are listed on the Stock Exchange,* and are therefore readily susceptible of price manipulation — by the banks and their "affiliates." The day-to-day price of stocks has nothing to do with the actual earnings of the stock corporation. The market price of the stock depends on the demand for the stock, not on the demand for the product of the corporation. Thus it is a simple matter to depress the price of the stock to the point where the business man's collateral — perhaps representing the savings of a lifetime — becomes forfeit. He has not only lost heavily on this transaction, but he now has no further credit and eventually loses his business. By this neat swindle he is thus deprived successively of his savings, his credit, and his livelihood, and he becomes one more recruit for the army of the unemployed.

As Sumner says, it is not even honest gambling. Ted Cook, the wise director of the department called *Cook-Coos* hereinbefore mentioned, thinks that much general misunderstanding in these matters could be avoided if the newspapers were required to print the reports of the stock market in the sports pages, along with the betting odds on horse-racing. The race-track people would, however, no doubt make violent objection, since horse-races are sometimes honestly run.

Thus the type of banking which more than a hundred years ago even Nicholas Biddle declared to be unsound and vicious is now held in the highest favor. Commercial banking requires a knowledge of commerce and trade conditions and of the business acumen and prospects of the applicant for credit — in short, a knowledge of banking. The new style of banking requires a financial manual and the morning newspaper record of the stock market. When the modern banker is called a pawnbroker, it is the latter who should object. The pawnbroker really must have some expert knowledge of the quality of metals and gems, and of the commercial value of other things.

Yet these thimbleriggers of stock values and credits are the only sharpers who are constantly permitted to use the mails for fraudulent purposes, because they have always succeeded in preventing any governmental authority from declaring their frauds to be frauds by statute. And anyone will recall that in 1928 — when it looked for a day or two as if there might be a belated return of public sanity — "the White House" issued a statement to the effect that stocks had not yet gone high enough. The statement did not say for whom the stocks had not yet gone high enough. A Senate investigating committee in 1932 was just getting at some illuminating matter on the subject of these stock market swindles, when the national conventions of the two major parties began to come into the news. The committee held a meeting behind closed doors and dropped that investigation into a well of silence so deep that not a whisper of it had reached this writer up to the time this was written (December, 1932). It was a hard year for campaign contributions, at best.

Many years ago Herbert Hoover wrote a magazine article to prove that this unpunishable theft of the savings of the thrifty by company promoters and corrupt bankers is a great and constructive public service. For, as he sympathetically phrased it, the small investors are "idiots," whereas the stock-jobbers are shrewd men who can use the money — as many a courtesan and yacht-designer and night-club manager well knows. There is much rugged good sense, as well as "rugged individualism," in Mr. Hoover's argument that those who save and invest money under this system are far from bright, even if it is too much to say that they are clinical imbeciles. An old acquaintance of this writer, a man who thought to escape his benefactors of Hooverian picturing by keeping his savings in a bank, lost all that he had in one of our recent five thousand bank failures. (More than twelve thousand banks failed in the United States in the ten years ending

with 1932.) But he cheerfully says that he is now at work on a book to develop the new principle of economics he has thus discovered : "*Never save more than you can afford to lose.*"

These are but rough outlines of a few of the tricks by which these usurpations of sovereignty touch our peace, our well-being, and our liberties. Any reader will think of a dozen more. And our final imbecility in sovereign abdication was to present to the invisible employers of Al Capone and Owney Madden the huge annual excise tax on liquor, as well as the immense profits of the traffic in alcoholic beverages.

There is in all of this nothing that is new, nothing that is not proven again and again by official documents. The Departments of Agriculture and Commerce, the Census Bureau, the Reconstruction Finance Corporation, the Treasury Department, and other governmental agencies are constantly flooding the country with incendiary literature of the most dangerous kind. *The Statesman's Yearbook* is a handbook of sedition, and the *Congressional Record* should be forbidden the mails. When speculative bankers whose greed has led them too far for facile self-extrication are invited to apply for funds at the public treasury, while there is no public money for those whom these speculators have made destitute, when ten millions of men have been thrown into "labor reserve," when tenant farming is increasing in appalling percentages, and tens of thousands of farmers who still have a technical hold to titles on their lands cannot even pay taxes, when wheat lies piled in the fields because it is not worth the cartage while millions hunger in the cities, when half of our women must go out to work in factory and office "to be independent," when more than eleven percent of our children under twelve years of age are "workers gainfully employed" — then we seem to have about realized Hamilton's dream of a people, men, women and children, enslaved to

a tissue-paper oligarchy. [This was written in the winter of 1932–33. EDITOR.]

It is a depressing but not a desperate picture. Again and again in our history we have passed through this senseless ordeal. The only disheartening fact is that we seem to have no memories for the lessons of the past. We still intend to abolish poverty by delegating to a privileged and parasitical few the power to possess themselves of the earnings of the industrious many. At heart we still nurse the absurd delusion that we can tax ourselves into wealth, or that we can grow rich by buying and selling among ourselves the counterfeit money of worthless stocks. We all prick up our ears at the first faint sound of this siren song, while we resolutely stuff our ears against the thundering truth of such men as Taylor and Sumner — the truth that there is no liberty or prosperity for the many in special privilege for the few. They are antiquated — not "abreast of the times" or of the "best modern thought." We must "face the facts," which means that we had better try any synthetic violet-water rather than voluntarily endure the sting of iodine. Any sort of bright-colored economic sticking-plaster is preferable to the knife of the sociological surgeon. We do not thank those who would take away from us our dreams of easy money. So we get what we deserve, and we almost deserve what we get.

Yet there is always hope for a people who can breed such giants as John Taylor, and his disciple, Sumner. (Sumner was to Taylor as Elisha to Elijah, a disciple who became almost greater than his master.) It is our instinct to push these men deep into private life, to hide them in the farthest obscurity of library shelves ; but they always come into the light again. Taylor's *Tyranny Unmasked* (1822) lay under the dust of unremembered years, and its piecrust binding crumbled in the attendant's reverent hands when this writer asked permission to consult the volume in the old Mercantile Library in New York. But

the yellow pages, with browned and broken edges, and the age-grayed leaves of Sumner's early lectures on the tariff (1876) have lost none of their power to instruct, to rebuke, to inspire.

Thomas Beer thinks that such men stand on a high place over against a politic Jerusalem, from which windy eminence we look like lice clinging to the folds of a stale blanket. He is mistaken. Their love for us was too sure for that. They loved us with a passion that broke forth in anger at our stupidity, a passion too great for the cheapness of gentle words. And they stand where they have always stood, on the highest peak of Pisgah, with the Promised Land at their feet, exhorting us across the decades to be only brave enough to be free.

It is by no virtue in us that Mr. Beer is wrong. Their thoughts were swords — swords which we have been too weak, too timid, to wield. Perhaps they should have abandoned us long since, and gone off together to the wine-cups of Valhalla. But still they strive to uphold us with the right hand of their righteousness.

CHAPTER VI

JACKSON GOES TO BATTLE

WITH the close of Monroe's second term in 1824, came the end of the Virginia Dynasty. Also, it marked the end of the payment of large political rewards to the famous veterans who had seen the young nation through its birth-pains and teething. Jefferson and the elder Adams still lived, but they were old and out of it, and rather pessimistic about the future. They had come to be fast friends by letter; and, indeed, Adams had, from early days, held a much higher opinion of Jefferson than of Hamilton — which does not, however, necessarily imply a transcendental esteem for the Sage of Monticello. What Adams thought of Hamilton could hardly be so delicately phrased as to pass safely through the mails.

Exactly fifty years after the birth of the nation, July 4, 1826, old Adams whispered dying: "Thomas Jefferson still lives." He did not know that at the moment the author of the Great Declaration was himself dying at Monticello. They passed on within a few hours of each other — as strangely allied and human an old pair as ever went off arm-in-arm to the grandeur of the dooms we have imagined for the mighty dead. It was a melodramatic curtain.

Another old man, John Taylor of Caroline, now wearing toward seventy — but wearing extremely well — once more girded himself for battle. He took another look at the tariff, and the banks, and the Supreme Court, and the other agencies of invisible government, and produced his

Tyranny Unmasked. Taylor felt that this should have been the task of another and younger man, not one whose "head was powdered with the snows of seventy winters." He need have made no such apologies. On the contrary, he might have said with Bulwer's *Richelieu,* "When this snow melts shall come a flood." It came — for there were few to heed Taylor's warnings of its coming.

So the old gods died and the half-gods strode upon the stage. John Quincy Adams, Henry Clay, John C. Calhoun, Daniel Webster, William H. Crawford, Lewis Cass, Langdon Cheves, Martin Van Buren — these and others all had elements of greatness, but none had all the elements of greatness. None had within himself that exact balance of character, courage, and sagacity which makes the truly great political leader. Jackson towers far above them all — as he towers above all but a few men in our history. And, after him, the younger Adams was perhaps the pick of the lot. Not because he reached the Presidency — it was the other way round. He, and then Jackson, were chosen because they were the best men available, and Adams most nearly approached greatness after he had left the Presidency and had entered upon his long and distinguished career in the House. When we are inclined to be discouraged with the people for permitting a Harding or a Hoover to be foisted upon them, it is well to recall that they rejected a Webster and a Clay.

It would be difficult to find in our history two contemporary figures of equal importance who were more utterly unlike than Jackson and the younger Adams. Adams marked the end of an old era. Jackson the beginning of a new. Yet they had two great things in common — patriotism and a granitic honesty. Indeed, the respect in which the memory of both the Adamses is held — despite their ineffectual fussiness in the Presidency — is probably due to our instinctive reverence for that political honesty which is a virtue, not a commodity to be sold when

the price is high enough. While it is true that both father and son lacked the qualities which make for vigorous and successful leadership, it is at least equally true that both — especially John Quincy — deliberately disdained to use the Presidency as an instrument of party organization and control. Today we know that the President must be the leader of his party. It is not the idea of party government which must be changed ; it is the Constitution which must be altered so that party government may be effective. Practically, therefore, this attitude toward the Presidency on the part of the incumbent is inevitably futile and forlorn, but in patriotic appreciation of the spirit of the Federal structure, it is to be commended. The Founders never intended that the President should be a party leader, or that the Federal Government should be responsible to party mandate. Everything conceivable was done to render such mandates impotent. Members of the House were to be elected every two years, to serve two years. Senators were to be elected, by State Legislatures, to serve six years, and only *one third* could be elected every two years. Presidents were to be elected every four years, and the members of the Supreme Court, which usurped the power to veto the acts of co-ordinate factors in the Government, were not to be elected at all. No general election could be general in fact. No mandate of the people, no matter how clear and overwhelming, could insure reflexive governmental action. On the contrary, lawmakers who had been repudiated by the people and by the States could continue to legislate for months thereafter.

There is no real inconsistency in praising John Quincy Adams and blaming Thomas Jefferson for taking what seems superficially to have been the same attitude toward the Presidency. The two cases are not at all on all-fours. Jefferson, like Jackson, came to the chief magistracy as a party leader with a party mandate to achieve certain reforms. John Quincy Adams became President as a result

of factional intrigues among the leaders of the only party then in existence. He had no mandate from anyone, and his party was literally the whole political mass of the people. These factions had not yet split off and grown to the dignity of separate parties, with real issues to bring forward. But the rift was swiftly widening.

Had it not been for a series of political accidents, neither Adams nor Jackson might ever have reached the White House. Certainly the former would not. William H. Crawford of Georgia could, beyond much doubt, have been elected in 1820 ; but he stepped aside with a "magnanimous gesture," so that old Monroe might have the traditional two terms for Revolutionary heroes. It was understood that Crawford would be the candidate of the party leaders in 1824, and he was, by a heavy vote, the choice of the Congressional caucus.

In the meantime, however, much had occurred to lessen Crawford's availability as a candidate. He had suffered a stroke which had left him partly paralyzed, and destroyed one of his greatest assets — his splendid presence. He was about six and a half feet tall, with a well-formed and well-poised head, massive chest and shoulders, and the manner of a lord of the earth. With the possible exception of Langdon Cheves, who was not so bulky but was even more distinguished of bearing, Crawford was physically the most impressive statesman of his day — and he had genuine ability withal. (Washington Irving gave the greater admiration to Cheves. He saw the South Carolinian in debate on the floor of the House, and afterward declared that he had at last gained an idea of what Demosthenes might have been like. On the other hand, Napoleon said of the Georgia statesman, "No government but a republic could foster so much truth and simplicity of character as I find in Mr. Crawford.")

Secondly, the people had grown weary of having their Presidents appointed by Elder Statesmen and by Congres-

sional and Legislative caucus. They intended, especially those in the West, to have something to say about it themselves. And they were not at all impressed with the fact that Crawford was the choice of an expiring Congress. Conventions had suddenly taken the place of caucuses.

Most important of all, certain of Crawford's manipulations of the public funds in the Panic of 1819 had come to the surface in a questionable light. It was charged that he had aided insolvent banks with Government money — to the loss of the Treasury, but with gain to himself in the political support of the powers of invisible government. On the surface, at least, there was some ground for these charges, particularly in the case of the defaulting Bank of the City of St. Louis ; and Crawford's citation of Gallatin's administration of the Treasury, as a precedent for his own acts, was not happy. Gallatin had never done anything of the sort. His temporary successor, the William Jones of dreary memory, most certainly had.

Crawford defended himself before the Congress with dignity and urbanity ; and his principal accuser, Ninian Edwards of Illinois, made an extremely poor showing. Officially, Crawford was completely and properly vindicated ; but many believed the charges to be true, particularly in their political implications. And, indeed, it is one of those many cases in public affairs where the question of the degree of guilt, if any, most forever rest between the man himself and his own conscience. He alone knows precisely what his motives were in the hour of action — and even he cannot be sure. Motives are often weirdly compounded. A man may earnestly desire to stop a panic, and he may also want to be President, and there is certainly nothing innately sinister in either of these aims ; but, as we have recently had proof in plenty, a compound of the two may readily lead to some strange activities ; and there were many who believed that this was the case with Crawford.

All of these factors combined to end his career in national politics. Andrew Jackson, the Hero of New Orleans and the herald of the Western revolt against the Money Power, led in the popular vote and in the Electoral College ; but none of the four candidates had a majority. Adams was a close second, with Crawford and Henry Clay respectively a bad third and fourth. This threw the election into the House, where Clay held the balance of power. He preferred Adams to Jackson, and the former was chosen.

Jackson never forgave Clay. He had led in the popular and in the Electoral vote, and he had been defeated by a "corrupt bargain." There is no reason to believe that there was anything corrupt about it. Adams was an honest and conservative New Englander. Jackson's views on the tariff were not widely known nor well heeded, but his opinions of "the Monster," the Money Power, were unconcealed and highly flavored. It was natural that Clay, the champion of the Bank, and his friends and backers the Northern manufacturers, and the other protected interests such as the wool-growers of Ohio and the hemp-growers of Kentucky, should prefer Adams to Jackson.

The fact that there was nothing in this story of a corrupt bargain made no difference to Jackson. (Almost any President at that time would almost certainly have offered Clay a place in the Cabinet — probably the State Department.) The appointment of Clay to be Secretary of State was, to the forthright Tennessean, clear proof of the "deal," and he set out to put down Clay. It is more than doubtful if Jackson ever passionately desired public office, even the Presidency, until the hour when he was beaten in the House by the influence of the Kentucky leader. But that fact alone would have been almost sufficient incentive to make him strain every nerve to gain the place in 1828. All politics with Jackson were personal politics. He could not work himself up to the fighting

pitch until he could see his enemy. (This sluggishness of spirit until the foe was at hand might well have gained him obloquy instead of glory at New Orleans, if he had been pitted against any but a fool like Pakenham. The latter naturally despised a lawyer-general, although the experiences of the Coalition armies with lawyer-generals at Valmy and Jemappes were matters of quite recent memory.)

Jackson believed in the menace of Nullification, and he believed in the menace of the Monster. But these issues must be personified before he could feel the true lust of battle. Clay, who had "betrayed" him, was champion of the Bank. Calhoun, who had deceived him, was champion of Nullification. John Marshall, whom he detested, was champion of judicial usurpation in the interest of special privilege. This was, perhaps, fortunate all around. For it drove Jackson to relentless battle against the Bank, and against Nullification, and spurred him to give Marshall such a rebuff as kept that redoubtable champion of invisible government quiet for some time.

That there was on the surface the most astonishing inconsistency in much of this warfare was of no consequence to Jackson. He probably never even noticed it. When he saw a head that he did not like, he hit it. Yet it was not more by good fortune than by good judgment that all of the conspicuous heads he hit received blows which were as drum-beats to the mass of his countrymen. It was not an accident that his private enemies were also public enemies.

At the same time, there was often something about the mental manner of Jackson which has always reminded this writer of the mental manner of a bull, as limned by that sage philosopher, *Caleb Trotter* in Sir Arthur Quiller-Couch's joyous satire, *The Astonishing History of Troy Town*:

"There's suthin' lackin' to a bull . . . 'tes logic he

wants, I reckon, jest logic. . . Take hes sense o' color : he can't abide red. . . 'Hulloa !' says he, 'there's a party in red an' I don't care a tinker's cuss whether 'tes a mail-cart or a milisha-man : I'm bound to stop this here taste for red ef I dies nex' minnit.' And at et he goes accordin'. Ef he seed the Scarlet Woman about in hes part o' the country, he'd lay by and h'ist her, an' you'd say, 'Well done !' an' I don't say you'd be wrong. But jest you stop an' ax hes motives, an' you'll find tain't religion. Lord bless 'ee, sir, a bull's got no more use for religion than a toad has for side-pockets. 'Tes obstinacy — that's what 'tes. . . He's bound to convince 'ee, ef he rams daylight into 'ee to do it. That's a bull."

And, superficially at least, it is not a long way off from being what Jackson was. All he needed was to see something importantly connected with Clay or Calhoun or John Marshall and he was bound to stop it if he died the next minute. Yet there was much more of logic in him than in the bull. Consciously or instinctively he made politics a personal matter because he knew or felt that dangerous principles are innocuous until activated by dangerous men. Experience teaches that it is seldom wise to dissociate a principle from the individual who embraces it. For instance, an intellectual may, without ever doing the slightest harm, forever maintain a theory that man is really made of mild steel ; but if he sets out to establish the soundness of this principle by going about tapping his fellow-men on the head with a five-pound hammer, it is necessary to take action against him at once.

Therefore if there is anything in the foregoing to give the impression that this writer indorses the traditional view of an ignorant Jackson in a flaming temper, charging berserk about the Capitol, that impression should be dispelled. There is too much evidence against it. His book-learning was scanty, but his state papers show him to have been as strong of intellect as he was stout of heart. He had the

bearing of an aristocrat, yet he was a greater democrat than Lincoln. (In 1824 Webster wrote in a private letter: "General Jackson's manners are more Presidential than any of the candidates. He is grave, mild, and subdued. My wife is for him decidedly.") On the democratic side, he possessed to an uncanny degree the instinct for knowing the common mind. He had a furious temper, yet never did it betray him to his enemies. A savage fighter he was, but so is a leopard — and Jackson could stalk his enemy like any leopard. In great matters he could wait, and feint, and wait, like a Talleyrand, until he had maneuvered his foe into a vulnerable posture. Then he struck with all the violence that was in him. The story of how he lured the flatulent Biddle and his blind political guides, Webster and Clay and Ewing and Clayton, into open action which amounted to a plea of guilty to the deadliest charge that Jackson had brought against the Bank of the United States — and then crushed both them and the Bank — is the refutation of the "headlong rashness" legend.

Before proceeding to a brief and necessary setting of the arena for his great and bloodless victory over the legions of invisible government, it would be less than honest to ignore one phase of Jackson's earlier career. His reason for resigning from one public office after another was his desire to make money; and he tried to make it in land deals of a highly questionable sort — from an ethical standpoint, at least. (He had worked hard and failed as a business man.) It is no defense of Jackson to say that "everybody was doing it," although that is not far from the truth. While he was far removed from the colossal thieveries of his fellow-Tennesseans, William Blount and John Sevier, the patriot hero of King's Mountain — the latter forged Land-Office documents with his own hand — the characterization of one of his enterprises as "equivocal" is not an overstatement. When a man is negotiating a treaty for a

government to secure lands needed by that government for public uses, and he privately enters into a syndicate to get control of those lands with a view to re-sale to the government, it is not too much to call the transaction "equivocal." The proof that Jackson did precisely this thing in his negotiations with the Cherokee Nation is not absolutely conclusive, but it is sufficiently damning. Professor T. P. Abernethy (*From Frontier to Plantation in Tennessee*) builds up an all-but-final case.

Yet Jackson did not make any money. He did not have the peculiar knack of money-making — which seems to be a knack, like drawing cartoons or winning the high hurdles, and is often, if not generally, unconnected with any other intellectual activity. Some men have it and some do not. Show two men a stretch of marshland, and one will paint an immortal picture and the other will drain it and sell building lots ; and it is inconceivable that the two could ever successfully exchange rôles. Place the late Frank A. Munsey, who made a great fortune in the stock market and the grocery business — neither of which he knew a great deal about — beside Andrew Jackson, and they form a perfect illustration in contrast. Munsey had none of the qualities of Jackson, but he had this knack of money-making which Jackson was without. He could acquire more money in a year than Jackson ever dreamed of in a lifetime. In the simplest non-pecuniary matter Munsey could hardly progress two feet without the aid of a guide, but he could see a dollar as far as a condor can see a dove, and swoop with the same swiftness and precision. In politics and journalism — pursuits which call for mental power of a high order — he was beneath contempt.

Tragically enough, the lack of the beagle nose for pelf has given an inferiority complex to many a divinely gifted man, and has ruined his zest for life and for a happy usefulness to his fellows. Fortunately for his country it did not have this effect on Jackson. His failure to gain riches

made him President of the United States at a time when it seemed that the hidden enemies of liberty had riveted their hold on the Government of the United States.

The two chief instrumentalities of privilege and power were still the tariff and the Bank. Following the Tariff of 1816 the woolen interests felt that they had not been given a large enough slice of the loot, so the law was amended in their favor. An attempt to pass a general increase bill in 1822 was defeated. But in 1824 the hosts of special privilege came down like the wolf on the fold, and commanded Clay and his cohorts to tear wider the pockets of the people. Their exorbitant demands resulted in a grim battle which called for all of Clay's undoubted genius as a political leader of the French *bloc* type. No one excelled him in art and energy when the situation called for the pulling in of an individual here and a little group there, yielding this point and pressing that, until he had gained his way by a small majority. He debated brilliantly, setting forth arguments which, unsound though they were, for a long time were the principal source of material for defenders of the protective system. Webster replied with a blast that crumpled the whole logical structure of the idea of protection. It might be called Webster's swan-song as the champion of the people, but it forced Clay to superhuman efforts. By adroit combinations of interest and intrigue, "log-rolling" and threats, the Kentuckian drove the new tariff through the House by five votes and through the Senate by four.

It was a great triumph for Clay, and it was his masterbid for the Presidency at the hands of the insatiably greedy who were eating his countrymen — another bit of wreckage to be charged to the account of invisible government.

"Had Clay thrown against it the weight of his great influence and authority, protection in the United States, with all its attendant and lineal evils, would have met a signal and probably an abiding repulse," bitterly observes Charles

H. Peck, in *The Jacksonian Epoch.* "To aid him in his efforts to attain the glittering but transient distinction of the Presidency, he sacrificed one of the noblest opportunities of modern times, not only to benefit his country, but the world, and to earn a place among the few whose names are jewels in the crown of statesmanship."

It is worth notice, however, that whatever Clay's power might have been had he taken the other road in politics, his influence at this time rested to a certain extent on the fact that he was the field-marshal of the forces of invisible government.

Mr. Peck's anger is but a watering-down of the corrosive venom of John Randolph of Roanoke, who, on the floor of Congress, wondered what Clay's parents could have been thinking of when they brought into the world a being "so brilliant, yet so corrupt, which, like a rotten mackerel by moonlight, shines and stinks."

It should occasion no surprise that a determined, albeit bloodless, duel followed these and similar remarks. At the second exchange Randolph, who was a marksman of note, held his fire until Clay's ball had gone through his coat. Then he deliberately fired in the air. Clay's seconds then persuaded him that a man who was known to be a poor shot could gain but little honor by making a passive target of a sharpshooter.

There was no serious and concerted effort for a great increase in tariff rates until 1828, when it was discovered that these needed further "adjusting." Tariff rates are always requiring "adjusting," and always upward. Then came the "Tariff of Abominations."

In 1827, the Pennsylvania manufacturers called a national convention of protected interests at Harrisburg. Here they wrote their own tariffs, and these were not notable for a spirit of moderation or restraint. In the midst of widespread prosperity, and although aided by already huge subsidies, this convention declared in effect that the

manufacturers had so bungled their businesses that they must have more public aid. The schedules drawn up by these selfless patriots were handed to the Committee on Manufactures in the House with orders to use them as the basis of a new tariff bill. A few of the Southern members attempted to sabotage this latest raid on the property of the people by proposing rates so fantastic as to make the measure odious and ridiculous. This method proved to be a signal failure. Some of these outrageous proposals were solemnly accepted and incorporated in the bill. A tariff hog cannot be choked to death with cream. All but three of the Southern members voted against the measure.

Beginning in 1790, with an eight percent duty on certain commodities for revenue purposes, with "incidental protection," the tariff swindle had, in less than forty years, grown to an unconcealed system of protection with average duties of forty percent. Clay declared that in the name of this "system" he would "defy the South, the President, and the Devil." He did not make clear his reasons for supposing that "the Devil" would be among his enemies.

And as Jackson came to Washington, the old bold State of South Carolina gave notice that if no one else did, she intended taking steps about it.

"After forty years," concludes Sumner, in his *Lectures*, "we find . . . that the infant industries were as feeble and clamorous as ever, that it [the tariff] had been elaborated into a system in which the lobby had been trained and educated, that it had corrupted politics and furnished capital for political schemes, that it had, on the testimony of those most interested, done them no good, and that it had brought the confederation face to face with its greatest danger, that of disruption."

Meanwhile, the Bank had not been idle. We have remarked that Langdon Cheves rescued it from the bandits of its first years, and in 1822 had restored it to solvency and usefulness. As might have been expected, the "lead-

ers of finance" then came to the conclusion that Cheves was too "conservative." And, in truth, he seems to have been old-fashioned. His attitude was that the functions of a great central bank, operating under a charter from the people, were simply to stabilize the currency, and thereby check wildcat banking, to act as fiscal agent for the Government, to engage only in the soundest sort of commercial banking, and to make large and sure profits by these legitimate means. In other words, he was fossilized.

After a struggle in the Board of Directors, Cheves was beaten, and the singularly gifted young Nicholas Biddle was elected to the presidency. Now the Bank entered on the first phase of its third and final stage. There were no more scandals such as those of the early years — until near the end, when the institution was no longer operating under a Federal charter. Eggs were sucked aplenty, but never was there more exquisite care that no fragment of the shells should offend the public eye. The Bank was not an open political issue in 1824, nor even in 1828, although the activities of some of its branches — notably in the River States beyond the mountains — had made the West "bank-conscious."

The currency was not actually stabilized, but it was so nearly so as to be a welcome blessing to a land long harassed by currency troubles such as those recorded in the preceding chapter. The business of the insiders in making use of the funds for their own ends was, for the most part, smoothly and unostentatiously carried on. Congressmen and newspaper publishers could procure loans virtually at will, and these classes of borrowers were never pressed for payment. In conjunction with the law permitting the extension of credit on customs payments, the Bank was able to do well for merchants whom it favored, as being of kindred to the Bank lords in spirit or blood. The operation of the China tea trade is instructive. A mer-

chant who could finance a $200,000 voyage to China brought back a cargo which could normally be sold at a profit of $100,000. The duty was always at least double the cost of the tea, so the merchant owed the Government $400,000. But the Government would give him credit up to eighteen months, or even two years. The Bank, as fiscal agent for the Government, depository for the revenue funds, and backer of the merchant, handled the entire $700,000 transaction by a mere shifting of paper and a bookkeeping process. There was thus released to the merchant enough money, due the Government, to finance two more voyages of $200,000 each, before the revenue payment on the first cargo fell due. He could then repeat the operation on these two voyages, and in this way swiftly build an inverted pyramid of enterprise, resting wholly on Government funds, without risk to himself or to the Bank.

According to Joseph G. Scoville (*Old Merchants of New York City*) John Jacob Astor carried on his business for twenty years with $5,000,000 of Government money, on which he never paid a cent of interest. No wonder he could invest heavily in real estate. Another firm, Thomas H. Smith and Sons, was caught with a number of cargoes in a glutted market and failed. It owed the Government nearly $2,000,000 — none of which, according to the writer just quoted, was ever paid.

Before Smith failed, another big importer, Thompson of Philadelphia, found himself overloaded with seven cargoes of tea. The Collector of Philadelphia became so alarmed that he would not advance further credit. Thompson withdrew his tea from the Custom House, on forged permits, in quantities of a thousand chests at a time, sending it on to New York for sale. To protect the market from this illicit tea Astor and Smith bought it in and shipped it to the Mediterranean. When Thompson at last openly defaulted, the Government sold the stored

tea to Astor and Smith on such terms that the commodity on board ship for Europe cost them exactly nothing.

One man, old Peter Nevius, was known in New York in those days by what seems to have been the clearly distinguishing sobriquet of *The Honest Merchant.* Incredible though it is to us, he was in the commission business in flour and produce.

By no means all of the merchants of those days were dishonest. There are records of stern sacrifices for honor. But as the currency was manipulated by Biddle and the Bank, it was, for the merchant, a constant race between affluence and bankruptcy. Biddle explains at length in one of his many writings (he drowned himself in ink) how he artificially inflated and contracted the currency. Sumner, quoting and commenting in his *History of Banking in the United States,* says it is impossible to see how any mercantile house could have survived for ten years under such a system. Few did. Those who did not fail, or who, failing, were able to resume promptly, were, in many cases, those merchants who, like Astor, were wise enough to put a considerable share of their profits into real estate, and to keep it unencumbered by mortgage against the hour of need. Thus they had assets which were sensitive in a lesser degree to Biddle's manipulations of the currency. Biddle could control the inflation of the currency, but he could not, as will be seen, control the inflation of Biddle. That was his undoing.

Among the other elements in the undercurrents of the social unrest which were soon to break out in political action was the condition of the industrial workers. This, in many cases, approached that of chattel-slavery so closely that there was merely a lawyer's difference between the two. In the early days, little was heard of the pretext of the later advocates of the tariff that the improvement of the condition of American labor had anything to do with their raids on the common purse. (No argument for the

protective system can, in its nature, be long-lived. Today, the beneficiaries of the high tariff have swarms of hand-fed "economists" busily inventing new arguments for even higher rates.) Shortly after the great victory of the people in 1800, the leader of a strike in Philadelphia was arrested by the mayor on charges of "conspiring to raise wages"! A seamen's strike in New York was broken by the same methods. James Truslow Adams, in *The Epic of America*, tells how the women workers in the textile mills were herded together like slaves, and even forced to contribute from their weekly pittances to the support of the "established church" of their masters. The Massachusetts ship-owners declared that if the law forbidding the flogging of sailors to work on their ships was not repealed, they might be driven to the desperate expedient of raising wages in order to stop the migration of their seamen to the farm-lands of the West.

This movement toward the wilderness made for another sharp political issue between the rapidly forming political parties. The mill-owners and ship-owners, and other privileged interests, were in favor of hoarding the public lands so that their oppressed workers could find no refuge and no living in the free soil of the West. The Western folk, eagerly building their numerical and political strength and economic prosperity, demanded that the lands be sold as cheaply as possible.

This possibility of a return to the land which would yield a livelihood was one of the chief factors in keeping American wages above the starvation level until well toward the end of the last century. The other factor — the only one of importance today — was union organization. The tariff, of course, has never had anything to do with it. The mostly highly protected industries, such as steel and textiles, are among the most brutal labor-crushers of our history. Those workers who have been most nearly able to maintain a decent standard of living are the highly

organized skilled workers, such as bricklayers and carpenters and, in some communities, the printers of daily newspapers, who are not "protected" by any tariff. They are not the "extractors" nor even the fabricators of materials. They are simply skilled manipulators of fabricated materials, who have generally so far been able to protect themselves through union organization. You will search the revenue laws in vain for a tariff against the importation of either frame or brick houses, or of daily newspapers.

Since the protective tariff was soon to drive the Ship of State so close to the reef of secession that she scraped the paint off her sides, it is convenient and fitting at this point to dispose of the subject in a general way. Today we see the active effort to dragoon us into the fourth and final stage of any protective system — absolute embargo. As this was written someone had persuaded William Randolph Hearst to nail that ruinous standard to the mast-head of his great press. Economics was perhaps never Mr. Hearst's strongest point, but he has been one of the greatest editors who ever lived and he should at least have required his embargo-boosters to study a little arithmetic, and to read the daily newspapers, so that they might not make themselves ridiculous. For example, on December 14, 1932, one of his financial specialists was furious over the fact that the Japanese were importing miniature electric-light bulbs (the tiny lights used for decorating Christmas trees and the like, which the largest electrical manufacturer in this country declines to be bothered with) and that a girl in Tokio, working largely by hand, turned out some eight hundred a day for which she received only six cents. This, he said, was about one fiftieth of the wage paid to an American girl for "similar work" in our factories — which, unless this writer has forgotten what little mathematics he ever knew, figures out that an American factory girl is paid three dollars for making eight hundred bulbs. If the

financial specialist believes that, he can believe anything — even that a tariff protects the worker. But he does not believe it.' There were some weasel words to follow.

"Admitting that American factories make much freer use of machinery," he said — that, of course, was the joker — "how can American workers be expected to compete with workers receiving six cents a day ?"

If the specialist thought that he was here asking a rhetorical question, he was mistaken. He had need but to contain his social fury a few days — until the *New York Times* was published on the following Sunday, December 18 — and he would have found the answer in the editorial section, Page 5, under the heading :

CONNECTICUT FINDS
2 CENTS A DAY WAGE

A special editorial correspondent of the *Times* digested an official report of the State Labor Commission. Operators of needle trades had been flocking into Connecticut to escape the workers' protective laws of New York — which Commonwealth is a long way ahead of the majority of the States in social legislation.

"The general lack of employment," he wrote, "has provided a considerable number of workers willing to labor for almost nothing. And nothing, almost literally, has been what many of these have received from their employers. Department of Labor investigators report actual wage payments of 2 cents for a day's work, 40 cents for 120 hours, 65 cents for 58 hours, $1.08 for eighty hours."

And on January 13, 1933, Mr. Hearst's own *American* declared on its editorial page that "it will never be said . . . that we are lacking in the energy and resolution to protect the standards of living of our workers against the ruinous competition of the pauperized labor of foreign countries" — while, on Page 6, Frances Perkins, then New

York State Industrial Commissioner, was quoted as saying that "she has in her office a photostat copy of a check for 85 cents paid for a week's work," a standard of living which it will probably not strain our energy and resolution to maintain.

This is how American factory workers can compete with the pauper labor of Europe and Japan. So there need be no more concern about it.

While these are extreme cases, all of the "higher wages" propaganda of the tariff-grabbers rests on just about as mushy a foundation. And this was, in the year 1932, a part of the fruit of that "American system" in the name of which Clay was prepared to fight the Devil. It was for this that he sacrificed what might have been a life of lofty service and led Webster and the others to the formation of a new political party. When Jackson came to die he looked back upon his career with but little regret ; yet he did feel that he could be justly charged with a certain remissness, a failure in public duty, in his having neglected to shoot Henry Clay and hang John Calhoun. The reason for this remorse is not, for a democrat, beyond conjecture.

Our history does not disclose a more amazing political phenomenon than the inability of Clay and Webster, and the other protagonists of privilege, to grasp the significance of Jackson's tidal victory over Adams in 1828. Neither then nor four years later could they see that this was no mere popular adulation of a military hero. The people themselves were stirring. And at the long last that is where the power lies. In one sense at least, "the voice of the people is the voice of God" : there is no appeal.

While their blindness, considered at this distance, was astonishing, the explanation is comparatively simple. The people had not risen to declare themselves since 1800. A quarter of a century is but as a year in the life of a nation, but it is a long time in the life of a man. These haughty chieftains were habituated to a political system which in

national affairs never considered the wishes of the masses. Candidates had been selected by caucus, and Presidential Electors by Legislatures. Madison and Monroe had been virtually appointed to the Presidency. All that Hamilton had dreamed of had come to pass again — political leaders of the upper class, untroubled by the people, administering the Government in the interests of special privilege. They could not conceive a movement of the masses so violent as to shatter this structure at a blow, and forever. They formed a legislative hierarchy which had been the real government of the country under Madison and Monroe and Adams, and it was their pride to maintain their grip on this power.

The imaginations of these patrician leaders could not travel so far as to picture a democratic uprising powerful enough to challenge them, because such an occurrence was not within the experience of their days. The uprising which had been led by Jefferson and Burr was, in all but elapsed time, much farther from them than is Bryan's great Free Silver campaign from us. Moreover, they had been for the greater part of this period sitting among the fleshpots of Washington, where men are prone to grow so fat about the eyes that they cannot see a tornado until it is upon them. Washington is still a place of dangerous isolation. It was infinitely more so in those days. These lordly aristocrats, the political heirs of the Funding Fathers, looked upon Jackson's election as that sort of political accident which sometimes happens to a successful general. It was ridiculous ; and, unless right-thinking men took the proper measures, it might well be calamitous. But they told themselves that he was without talent for statecraft or instinct for politics, a ferocious but unlettered backwoodsman, and they would soon tame and dispose of him.

This was another myopic error. Not only were they insensitive to the newly awakened forces which had made Jackson's election possible, but they had no glimmer of the

political dexterity and sagacity which went to make the election certain. The men who managed Jackson's campaign, and afterward became his "Kitchen Cabinet" — Amos Kendall, Isaac Hill, William B. Lewis, Duff Green — were publicists and politicians of an entirely new school. They saw that the day when a little group of highly cultured and pompous aristocrats could sit in Washington and govern the country for the people, without even consulting the people, was gone forever. Here was at hand a real conflict — between the fortress strength of the old oligarchic ideas and the storm strength of the new democratic life. So they went to the people for their power — writing, talking, organizing, intriguing — and from New Hampshire to New Orleans the people responded. Jackson was a man of their own kind, and a hero withal — a man who knew them and their needs and hopes and despairs. Throughout the land, these politicians and their aides tirelessly preached this message, and the people took it to heart. The people moved — and the seemingly solid ground on which the half-gods had so long stood secure broke up around their feet like the old ice of winter when the floods come down in spring.

The man whom the people had chosen to lead them was in heart and brain attuned to a mystic understanding of all that was poignant and formless in their hearts and brains. Already broken in health, but always unbreakable in spirit, he rode to Washington to fight for them against "the Monster."

Thus Andrew Jackson went to battle.

CHAPTER VII

THE SLAYING OF "THE MONSTER"

IN his famous message vetoing the bill to recharter the Second Bank of the United States, Jackson set forth views of the Constitutional distribution of powers in the Federal Government which make clear what his attitude was in the first of his three important battles — his tilt with John Marshall. This bout was brief, and much less dramatic than the fight on Nullification or the war against the Bank ; but it was certainly not less important.

"The Congress, the Executive, and the Court must each for itself be guided by its own opinion of the Constitution," declared Jackson. "Each public officer who takes an oath to support the Constitution swears that he will support it as he understands it, not as it is understood by others. . . The opinion of the judges has no more authority over Congress than the opinion of Congress has over the judges, and on that point the President is independent of both."

While a strict application of this principle might well lead to some interesting, if not confused, situations in the Federal Government, there is from any standpoint much more to be said for it than for John Marshall's argument that the Supreme Court holds veto power over the acts of the State and Federal governments. This is certainly indefensible, on Constitutional or any other grounds, and the first time that this puffed-up authority met the edge of real resistance, it collapsed like a paper bag.

The conflict between Jackson and Marshall hinged on one of the several cases which grew out of the determina-

tion of the land-thieves of the "higher race" to rob the Cherokee Nation of its rich cotton lands. Georgia asserted that her State laws ran into the Cherokee country, a contention which the Cherokees vigorously opposed. A man named Worcester, a missionary of sorts, who was living among the Cherokees, defied the Georgia law. He was arrested and sentenced to four years at hard labor. On his appeal to a Federal court, Georgia refused to recognize the jurisdiction, and the case went to the Supreme Court, where the State again refused to appear. Marshall handed down a decision in favor of Worcester, and Georgia ignored it.

Leaving to one side the question of the force of treaty rights, it is regrettable that all common decency and common justice were on Marshall's side. Jackson was, for the moment at least, blind to that aspect of the case. All that he saw was that a usurping servant of invisible government was attempting to coerce a Sovereign State and to interfere with its administration of its own laws. When he was appealed to, he spoke one little sentence which should have been, and may yet be, epochal in our history :

"John Marshall has made his decision ; *now let him enforce it !*"

Finis.

There was, and is, no way for the Court to enforce its decisions without the support of the other two branches of the Government — particularly that of the President, who is the Constitutional administrative head of the Federal police power. The instant that Marshall's usurpation was challenged by the President, his whole pretense of power fell to the ground. If more proof were needed that the Founders never contemplated anything so preposterous as lifting the Supreme Court above the President and the Congress, this should supply it. Had there been any such intention, machinery for enforcement would have been

placed under the control of the Court. Any President is well within his Constitutional rights in refusing to give force to an edict of the Court, if, in his opinion, the Court has exceeded its Constitutional powers. Marshall took, and the Court has since maintained, the absurdly vulnerable position that it has the right to nullify the acts of Executive and Legislative branches, but it must depend on those very powers to give force to these acts of nullification. Lewis Carroll could do no better.

When our history is viewed as a brief panorama of a few generations, the conviction grows that it is high time that the powers of the Court were regularized. Under the current loose and lawless system it is constantly a dormant threat to our peace, which may at any time become an active menace. A number of times in the past this undetermined power has inflicted unnecessary trouble and woe on us, and its potentialities in that respect are in no wise diminished today. Much of the time the Court has been a citadel of special privilege, and its record is disquieting. Its evasion of the tariff issue, its Dred Scott decision, its dishonest decision in the income tax case, the elasticity which it has read into the "due process" clause of the Fourteenth Amendment — to mention but a few — none of these has made for the peaceful march of a people toward an ideal of democratic freedom.

Simply that there seems to be at the moment no issue so grave as to make it probable that the President or a group of States will ignore the Supreme Court does not mean that the danger is dead. It is merely sleeping. In December, 1932, our high tribunal handed down a decision (based, of course, on that reliable "due process" clause, which has become a sort of omnibus to carry these nine old gentlemen to any place they may desire to go) in which it was held that the Governor of Texas had no right to declare martial law is the oil-fields of Eastern Texas and to send

the militia into the region to take control. The Governor's real purpose was to limit the flow of oil into a demoralized market.

On December 20 the *New York Times* printed a brief but interesting dispatch from the Texas Capitol. The Governor declined to comment, but it was "understood" that the decision would "not affect the situation in Eastern Texas." Up to the time that this was written [Early spring, 1933. EDITOR] the decision had certainly had no effect. Nor, assuming that the Governor was a determined man who believed that he was right, was there much probability that the order of the Court would have force. The possibility of the President's ordering a Federal army to battle with the Texas troops, over a questionable court pronouncement about oil-wells, would always be remote.

Giving the Court the measure of authority which is its due, and at the same time keeping that authority within reasonable bounds, is a problem in governmental science which should present no real difficulties. Perhaps a sane method would be to invest the Court with some form of limited veto, such as was discussed in the Constitutional Convention — and is today exercised by the high court of Massachusetts. If, for example, the Court unanimously declared that it could not consistently administer the Constitution and a statutory enactment which it held to be in plain conflict with the Constitution, it would certainly be entitled to a respectful hearing. It is unreasonable to hand to a group of judges an instrument of government which says that black is black, and then pass a statute which says that black is white, and expect them to be controlled by both measures. But if one or two judges see no conflict, that should be enough. The others could always resign if they did not see a clear way to follow both the law and the Constitution. With any sort of political luck we could always count on at least one or two judges of political integrity in the Supreme Court. Where the Court unani-

mously held that a statute was unconstitutional it should be required to give its reasons in full, accompanied by suggestions — if possible — for reaching the same statutory end by another route.

Eliminating the costly mass of judge-made law which this Court has fastened upon us, the cases of fundamental disagreement under this or a similar plan would be extremely rare. Moreover, such a measure would break the Congress of one of its bad habits. When a powerful minority becomes insistent, the Congress will sometimes pass a statute which it knows to be unconstitutional, and then leave it to Presidential or judicial veto to prevent its becoming law.

There is always danger that the demand for a disciplining of the Federal judiciary may suddenly take an acute form. "Only Yesterday" a former President, Theodore Roosevelt, went to the polls with millions of voters behind him to demand the reversal of judicial decisions by popular vote. We may at any time find in the White House a strong-willed and popular Executive who might say: "Charley Hughes has made his decision; now let him enforce it." This danger is the more real for that Chief Justice Hughes was so ill-advised as to let the cat out of the bag in a public speech. He said that the Constitution does not say what it says: it says what the Supreme Court says that it says. Let the full significance of this urbane boast in usurpation permeate the common mind, and there will be trouble aplenty for the Supreme Court. There was a mutter of far-off disturbance in one of Franklin D. Roosevelt's speeches in the 1932 campaign, when he included the Supreme Court in those agencies of government which have been controlled by the Republican Party — for the past dozen years notoriously an open and shameless political instrument of the powers of invisible government.

Jackson's stand on Nullification would seem to be a reversal of his position in the Georgia case; but there was,

to him at least, a wide difference. Georgia had defied the Supreme Court. South Carolina was defying the President and the Congress. Furthermore, the whole doctrine of Nullification was embodied in one of his pet hatreds, John C. Calhoun.

Calhoun had been elected to the Vice-presidency with Jackson, and it was understood that he would succeed to the Presidency. Then Jackson was given proof that while Calhoun had been posing as his friend in Monroe's Cabinet, the South Carolinian had in truth strongly urged that Jackson be publicly censured for his highly questionable doings in Florida in the campaign against the Seminoles. How much the spiteful disappointment of William H. Crawford, harnessed to the sly intriguing of Martin Van Buren, entered into the production of this evidence can never be determined. The Fox of Kinderhook knew too well how to walk in the water. But the proof which was presented satisfied Jackson that Calhoun had been maliciously deceiving him — and, with few exceptions, it has since satisfied historians. Calhoun never gave out a denial, not even when Jackson invited it in private correspondence.

This alone would have been enough to make Jackson the implacable enemy of the South Carolinian ; and the Peggy Eaton scandal widened the breach. Peggy Eaton was the wife of a Major John H. Eaton, whom Jackson made Secretary of War. As Peggy O'Neill she had enjoyed a quite unenjoyable reputation in Washington. Her father kept a tavern, and it was a matter of common report that many who visited the tavern received from Peggy favors much more intimate than the service of her father's liquor. The elevation of this lady to Cabinet rank shook Washington society to its center. The little Dolly-Gann–Alice-Longworth feud over precedence was mere summer amusement in comparison.

It was inevitable that Jackson would take up cudgels for the lady. His own domestic tragedy was a recent and

bitter memory. He had married a divorced woman, and they had been living together for a year or two when it was discovered that the divorce had not taken legal effect until long after the ceremony. They were promptly remarried ; but in 1828, his political enemies made capital of this accident of the divorce laws, and painted Jackson's wife as a harlot. Some of the Jacksonians retorted with the equally truthful and pleasant charge that John Quincy Adams, while serving as Minister at St. Petersburg, had sold an American girl to a Russian Grand Duke. It is scarcely a matter for wonder that duelling was a commonplace of those days. There are certain sorts of attack which, even today, may make the mildest man feel for a moment or two that the only suitable reply is a pistol-shot or a sword-thrust.

It seems to be fairly well established that this scandal literally killed Mrs. Jackson. If the tragedy had the effect of increasing the ferocity of Jackson's hatred of his enemies, it also exaggerated a natural tendency into an extravagantly chivalrous tenderness for all women — especially those who found themselves in like case. To him there was little essential difference between the attack on his own wife and that on Peggy O'Neill. Both women were simply the targets of slander.

The Cabinet exploded like a bomb. Mrs. Calhoun and the wives of the Cabinet officers would not receive Mrs. Eaton, no matter what sort of mantle was thrown over her. Jackson's own niece left the White House, rather than accept the wife of the Secretary of War. Van Buren, himself without a wife to keep him awake all night with her views on the morals and brazenness of Peggy O'Neill, could safely take Jackson's part ; and this further endeared him to the knightly-hearted old man. To Jackson, he was always "Matty." Finally, Van Buren — than whom no more deft hand at intrigue ever played politics in Washington — maneuvered Eaton into a position where the lat-

ter could not but follow him in resigning from the Cabinet. This gave Jackson the opportunity, without loss of face, to reorganize his ministry, leaving out any man who remotely resembled an adherent of Calhoun.

Jackson rewarded Van Buren with the appointment of Minister to England. Calhoun blocked the consent of the Senate, exclaiming triumphantly that they had killed Van Buren "dead. He will never kick, sir, never kick." Thomas H. Benton of Missouri, who knew and admired Jackson, retorted with the prophetic, "You have killed a Minister and made a Vice-president."

Such were some of the more important human factors in the situation at Washington, when Nullification began making head with Calhoun as its standard-bearer.

In the face of the anger of the South, and of the ominous trend of events in South Carolina, the Northern tariff-grabbers proceeded to further "revisions" of the rates in 1828 — always upward. Calhoun had written the *South Carolina Exposition*, which set forth the arguments for Nullification. A State Convention was summoned to consider the question. Langdon Cheves and other able men, who were entirely in sympathy with the anger of the State against the extortion, were opposed to Nullification as an undesirable and impossible method of resistance. But Robert Y. Hayne, who had debated so brilliantly against Webster on this very cause, was now Governor ; and the men of the State had voted two to one in favor of declaring the new tariff laws null and void within South Carolina. An ordinance was passed calling on the State Legislature to give statutory expression to the will of the people. Other Southern States were sympathetic, but hesitated at going to the length of Nullification. Virginia made a gesture which was afterward undoubtedly of value in helping to bring about a peaceful solution.

Technically, of course, South Carolina was not setting out to lead a secession movement. There would have been

more dignity and sense in the proceeding if she had. Nullification is not secession. It is much worse. It is an attempt to remain within the federation, but at the same time to make of the Union a contemptible thing, and of its Constitution a vain and nugatory screed. In his famous toast at the Jefferson Birthday Dinner, Jackson had made clear his stand: "Our Federal Union: It must be preserved!"

He now set about preserving it with all the firmness and tact of a brave man who is so sure of himself and of the rectitude of his cause that he feels no need for theatrics. It is fortunate beyond guess that we had such a man in the White House at such a time. It is one thing to be prepared to use force if you believe that you are right, but it is another thing to apply that force when the other side also believes that it is right. The other Southern States remained calm when Jackson prepared the Army and Navy to carry out the Federal law in South Carolina. It is not likely that they would have preserved this calm if there had been a battle in the streets of Charleston. South Carolina's fight was their fight, and the North was at that time by no means strong enough to have subdued these States if they had suddenly rushed to arms. As nearly as anything can be certain in this sort of speculative history, a battle at Charleston would have meant the end of the Union.

Jackson's "headlong rashness" was never more conspicuously absent than in these critical days. On December 4, 1832, he sent a message to the Congress which was a masterpiece. In subtlety of construction and felicity of phrase it has few equals in our archives. He began by congratulating the country on its flourishing and prosperous condition, on its happy foreign relations, and on the present extinguishment of the public debt. There seemed to be no cloud in the sky, at home or abroad. This went on for page after page. Then he finally got to the tariff — via the diminishing need for revenue — and here is the first

indication that Jackson had ever considered the deeper political and social implications of the protective system. He proceeded to argue South Carolina's side of the case.

"It is presumed that a tariff of high duties," the message declared, "designed for perpetual protection, has entered into the minds of but few of our statesmen. The most that they have anticipated is a temporary and generally incidental protection, which they maintain has the effect to reduce the price by domestic competition below that of the foreign article. Experience however . . . makes it doubtful whether the advantages of this system are counterbalanced by its many evils, and whether it does not tend to beget in the minds of a large portion of our countrymen a spirit of discontent and jealousy dangerous to the stability of the Union. . . Those who have invested their capital in manufacturing establishments cannot expect that the people will continue permanently to pay high taxes for their benefit when the money is not required for any legitimate purpose in the Government. . . We have already seen the operation of the system productive of discontent. In some sections of the Republic its influence is deprecated as tending to concentrate wealth into a few hands, and as creating those germs of dependence and vice which in other countries have characterized the existence of monopolies, and proved so destructive of liberty and the general good. A large portion of our people in one section of the Republic declares it not only inexpedient on these grounds, but as disturbing the equal relations of property by legislation, and therefore unconstitutional and unjust. It is my painful duty to state that in one quarter of the United States opposition to the revenue laws has risen to a height which threatens to thwart their execution, if not to endanger the integrity of the Union."

(In these lines the influence of John Taylor's vigorous logic in discussion of the evils of special privilege is plainly discernible. They are almost a paraphrase.

"The protection of property is an end of government," wrote Taylor (*Tyranny Unmasked*) and then went on to set up in ironic balance : "Its transfer by fraudulent laws is another end. It seems to me that the property-transferring policy is the true cause of all the collisions which have occurred between the State and the Federal governments ; and that if this policy was abandoned, these collisions would cease. That is the cause of the existing hard times [the panic of 1819]. Money has been the sole object of funding, banking, capitalistic monopolies, lotteries and pensions. I cannot see how such projects will preserve the Union.")

These passages are followed by a paragraph as mild as milk and as firm as steel, in which Jackson made clear that he believed himself to be fully possessed of both the power and the ability to enforce the laws of the Union throughout the Union.

The meaning of the message was clear beyond peradventure. Jackson said to the country : "I will at all costs preserve the Union, but those who are now seeking to disrupt it have all justice on their side." Strangely enough, his text might have been Calhoun's toast in reply to Jackson's at that historic dinner when the South Carolinian saw the end of his hopes for the Presidency. He said : "The Union : Next to Liberty most dear : May we all remember that it can only be preserved by respecting the rights of the States and distributing equally the benefit and burthen of the Union."

Clay said that this message and the more menacing proclamation against Nullification, which Jackson issued six days later, were mutually cancellatory. If politics were a science, this would have been true. The country responded to Jackson's attack on the tariff, and even more it responded to his denunciation of Nullification, as it had responded to his call for the destruction of the Bank. With the confidence of a great democrat Jackson appealed to the illogi-

cal logic of the people which, untroubled by the mutually cancellatory, gets to the heart of things. These processes are quite beyond the formulizations of political science. The tariff was bad, but so was Nullification. The people saw no gain in breaking up the Union into small and jarring States, with a dreary future of economic and other wars. They did not intend to fly from a problem into the arms of a disaster. That is beyond doubt the reason that the South remained quiescent, and confident of justice at the hands of its Government. The people of the South had followed Jackson in the war on the Bank, and they did not believe that he would betray them to another "monster." They were right.

Nor did Clay believe that the situation had been left unaltered by the message and the proclamation. Something like a wave of real alarm swept through Washington in the wake of the message of December 4. Webster alone was apparently insensitive to it. He still thundered about standing up for the Union — which was precisely what Jackson was doing — but Clay rushed off to Philadelphia to summon the lords of the tariff into hasty and panicky conference. If Jackson attacked South Carolina *unsuccessfully* there would be a Southern Confederacy, which would mean the end of the plans of the Northern tariff-grabbers for devouring the agricultural South, as they have since devoured both the agricultural South and the agricultural West. (What they are going to eat now seems to be a question.) If Jackson attacked South Carolina *successfully* his party would probably be firmly established in power for a generation to come, which was also a consummation not at all to be wished.

In other words Jackson had brought about a situation wherein at any cost his political enemies must prevent his taking any action at all. Whatever he did and whatever the outcome, it would be against their interests. One won-

ders at times how the "headlong rashness" myth ever gained credence.

How far Clay succeeded in making his masters see the danger is not a matter of record. The evidence is that few were convinced. "What this country has most to fear," observes *Old Mike Kennedy* in Alfred Henry Lewis's *The Boss,* "is the ignorance av the rich." But for once Clay refused to be bound by their wishes or their orders. Congressman Verplanck had introduced a bill lowering the tariff rates, and Clay promptly went to work on a substitute measure on the theory that the tariff should be revised by its friends. Never did his genius for the manipulation of antagonistic parliamentary elements, for cajolery and compromise, shine forth more clearly. And time was of the essence. "Unofficial" envoys were wearing out horse-flesh between Washington and Charleston, trying to restrain the hotheads until a way out could be found. But the South Carolina Convention was to meet again on March 16, and no one could say what then might happen.

Clay found a formula acceptable to a majority and brought his bill through the Congress — as brilliant a parliamentary achievement as there is in our history. The measure offered everyone a dignified escape. It recognized the principle of protection, but it provided for rapid and successive reductions of the tariff to a revenue basis. It also abolished the system whereby customs officials could extend long revenue credits to merchants.

Simultaneously a "force bill" was put through the Congress, this being largely in the nature of a gesture to soothe the ruffled Webster and the other fire-eaters of the North. (The President has ample powers under the Constitution to quell an insurrection.) This bill, like Jackson's earlier proclamation, also had the desired effect of calling the attention of all men, North and South, to the gravity of the situation.

Jackson played the game craftily to the very end. Both of these bills were finally jammed through the Congress in the early days of March ; and on March 16, the day that the South Carolina Convention was re-assembling, he signed both measures. Thus he offered to South Carolina in one gesture her choice of justice or insurrection.

These arrangements were not made without opposition. Northern manufacturers roared with rage in the corridors of the Capitol. Webster bellowed against the "surrender," and declared that it was unconstitutional to attempt to bind Congressional action over a period of years. This was, of course, technically correct, but Clay pointed out that the South could not be expected to be satisfied with less than this earnest of good faith, and that while the next Congress could constitutionally ignore the binding provisions of the bill, no political party would have the temerity to attempt it. He was right.

South Carolina eagerly accepted the substance of victory but felt it necessary to pass a resolution denouncing the Force Bill — before pushing Nullification back into the records of history. For the future, it would have been better to kill the idea of the protective system once and for all ; but it is more than doubtful if that could have been achieved. The bill as passed gave the President, the South Carolinians, and the tariff interests, each a way out of a grave crisis without real loss of face. Perhaps the Compromise of 1833 was the high point of Henry Clay's life.

The episode also clearly defined a fundamental difference between Jackson and Clay. Clay was a compromiser, and Jackson was willing to compromise — two vastly different things. Jackson would give up anything save the principle to which he was pledged. Clay would, as we have seen here, abandon a principle which he had declared could never be abandoned, for the sake of a fleeting stabilization of a dangerous situation. It was only when Jackson

laid profane hands on the Bank, the true Ark of the Covenant, that the Kentuckian and his rival closed in a fight to a finish.

A threat to the Bank was the one danger signal which could draw together all of the enemies of Jackson and the people into a solid phalanx. In this cause, Clay and Calhoun and Webster could fight as one man and in the full vigor of warriors, whereas Nullification had divided them into three camps, with Webster, hamstrung and unhappy, in the middle. His forensic rage against South Carolina was partly an emotional flight from his own shame. In order to hold the support of the moneyed men of New England — who had turned from shipping to what seemed to be the easier graft of protected manufacture — he had eaten his own principles, and the feast had given him spiritual indigestion. His plangent oratory in defense of the Union was a beating of the war-drums to drown the voice of the protest from within. By fighting the evil of Nullification, he was trying to make amends to his own conscience for his part in furthering the evil wherein Nullification was born. This would seem to be the reason for his intransigent attitude against compromise. Compromise involves an emotional pause and an intellectual reevaluation of causes. Webster did not care to submit himself to this trial before the bar of his own conscience. He preferred that force should prove him to have been right in taking the wrong course. Emotion was his refuge.

Although chronologically entangled and impossible of dissociation in some of their political reactions, one upon the other, the Nullification and the Bank struggles have here been separated to promote clarity of discussion. Nullification should have been the chief consideration of Jackson's first term, as it was until near the end. That Jackson was enabled in 1832 to go before the country with the Bank as the principal issue was attributable, as has been intimated, to the inconceivable political stupidity of Clay and

Webster and Nicholas Biddle. It was as if the stars in their courses fought for Jackson and the people.

In this connection it should be understood that single acts of corruption and gestures of insolence on the part of the Bank, which must be touched upon, were in themselves — and even in the mass — not truly germane to the real issue which was here fought out. These were but symptomatic. The true question was much larger. Was the Bank, in the nature of its being, an all-powerful engine of invisible government, and a menace, active or potential, to the common liberty ? On this issue, the verdict of historians is all but unanimous. It was. Therefore it must be attacked and destroyed. Jackson's methods have, by these same historians, been sometimes criticized as "brutal," or "unwise," or "ferocious." But the Bank, in its power, embodied an adversary which could not be tapped to death with goose-feathers. No one, so far as this writer knows, has ever suggested how Jackson might otherwise have conducted his fight to a victorious conclusion. The conflict was certain to be like that of Hiawatha and Mudjekeewis — one to shake the land from end to end. It was one of those situations which call for moral violence as the only realistic method of combating immoral violence.

As was inevitable with Jackson, the war on the Bank became a personal combat between him and Nicholas Biddle. They were not evenly matched. In perspective, the duel sometimes looks like a duel between a spike-maul and a marshmallow — and this is said without derogation of the manhood of Biddle. Jackson paid him what was the highest compliment such a man could offer an adversary : he said that Biddle was brave. The old warrior was too good a fighter to underrate an enemy. That is why he never lost. His victory over Biddle and the Bank was the child not of his ferocity, but of the patient, feral felinity always present in his great campaigns, which held back the lethal spring until precisely the right moment.

Biddle was more than brave. He was a man of exceptional talents in many directions, and of catholic tastes in the æsthetic. Rich, good-looking, good-humored, healthy, cultured, and scholarly, he had all the birthday gifts, save that one which curbs the lust for power — the most dangerous poison with which a man can trifle. For, between Biddle and Jackson, this was no mere vulgar quarrel over the question whether this man or that man should have a few more or a few less dollars. It was a fight for power between an oligarch and a democrat, between the overlord of invisible government and the leader of the people. And, since both were brave, it had to be a fight to the death. For these same reasons, the arguments as to who really started it, and whether this or that stroke of arms was fair or unfair, or what-not, are irrelevant.

As Jackson was born a democrat, so Biddle was born an oligarch. His father, Charles Biddle, was a wealthy Philadelphia banker who had waxed fat during the War of the Revolution. After a brief and wholly unperilous career in a militia regiment, the elder Biddle sheathed his sword and enlisted for the duration of the war in the highly lucrative trade between the West Indies and the Southern coast ports. (The wealthy classes underestimated the probable cost of the Revolution in blood and treasure, and soon grew weary of it and its interference with their money-making activities. Consequently, representatives of the middle and lower classes often rose during the war to places of distinction and authority. This failure of the class as a whole — albeit there were many honorable exceptions [in the Biddle family, to go no farther afield] — was an important psychological factor in defeating Hamilton's hopes for a permanent aristocracy. Only the sword makes the aristocrat.)

The younger Biddle was a precocious lad. He was ready to graduate from the University of Pennsylvania when he was thirteen years old. That institution was spared this

humiliation by Biddle's father, who sent the boy on to Princeton for a few more years of study. He finished with school in his sixteenth year, and at once began taking a great interest in one of our first serious efforts toward a periodical of *belles lettres*. This was the *Port-Folio*, edited by Joseph Dennie. Both at this time and more particularly after his return from Europe, Biddle contributed articles on the fine arts, and even verses — which last have been held, by those whose literary judgment outweighs that of this writer, to be far from contemptible. Then he went to Paris as secretary to Minister Armstrong, and here he was given his first insight into finance, in the settlement of the claims and counter-claims which had grown out of the long years of European war. And, to this writer, it is at least possible that the highly sensitized boy may have felt in the possibilities of the controlled flow of great financial currents an æsthetic such as some men find in pure science. At times, in after years, he wrote almost lyrically of the beauty of complicated fiscal manipulations.

If this was true there was no immediate manifestation. Leaving Paris he wandered about Europe for a long time, going as far east as Greece, to worship in that ancient temple of culture. Presently he turned up in London as Secretary to Minister Monroe. Between him and Monroe there seems to have grown up one of those beautiful friendships which are sometimes formed between an older and less cultured man and a keen-minded and colorful youth. With all the pride of a father whose little son is boring the company by reciting "pieces" in the parlor, Monroe bragged of the manner in which young Biddle had acquitted himself in a philological argument with the older scholars of Cambridge over the difference between ancient and modern Greek.

This association with Monroe was to be the determining influence in his career. When in the War of 1812 the Treasury Department utterly collapsed under the malad-

ministration of Campbell, and Monroe saw that he himself would have to finance the armies of the United States or disband them, he called young Biddle to his aid in the War Department. Biddle had in the meantime been admitted to the bar, had served a term in the Pennsylvania Legislature, and had found time to take a great interest in the *Port-Folio.*

When the Second Bank was chartered Monroe appointed Biddle one of the five Government directors. He was presently made a private director, so that he would be eligible for the presidency of the Bank ; and, as has been recorded, he succeeded Langdon Cheves in that office.

The country had by this time about recovered from the depression — so much so that in 1823 Hezekiah Niles in his *Register,* was uneasy, for fear that another period of inflation was setting in. There was doubtless safe sea-room for a slightly less conservative policy than that which had been insisted on by Cheves, since the whole country was once more on the up-swing. To this fact of general economic optimism and comparative stability is due some measure of the success which attended Biddle in his departures from the policies of Cheves in the first eight or ten years of his administration. Many of our fellow-citizens recently learned that it was much simpler to be a "financier" in 1927 than in 1932. None the less, Biddle was a banking expert of rare skill and imagination.

Toward the end of that decade Biddle was given a little elbow nudge as a reminder that there was something to be said for Cheves's conservatism. The latter had held that the Bank was overcapitalized, that $35,000,000 of capital could not be profitably employed ; so he had bought in about four or five million dollars' worth of stock. As this stock was selling at a premium of from fifteen to twenty percent, it was a nice little melon to be cut. Biddle fought off the greedy directors until another public loan was offered. Then he sold the stock to buy the loan

and made a profit on both transactions. But just at this time there was a trifling minor stumble in the march of prosperity, and the Bank temporarily lost its power to control the currency — because, for the first time since Cheves had rescued it, the Bank found itself with heavier balances against it than it held against the State banks.

Again, Gallatin, writing long afterward, held that Biddle had once more lost power to control the currency in 1831, because in that year the capital investments of the Bank proportionately exceeded the capital investments of the great State banks, and the institution was consequently in a less liquid condition. It was at this time that Biddle began violating what he had declared to be an inviolable principle of sound banking, when he adopted a policy of advancing money on stocks, instead of adhering strictly to short-term commercial paper.

Since this is not a work of economics or of fiscal history, there is no room here for a detailed discussion of Biddle's administration of the Bank. The interested reader may find what he is seeking in that direction in the histories of Sumner and Knox and in Professor Ralph C. H. Catterall's *Second Bank of the United States*, preferably all three ; for while the last named is the most plainly and non-technically written, it contains some astonishing interpretations, and there are even more astonishing omissions — the whole, however, well seasoned with dashes of scholarly honesty. To Professor Catterall, Jackson was merely the "average ignorant man," and the eloquent peroration of the veto message he dismisses with the remark, "It is hard to believe that there was much weight in this strain of argumentation, but it was very influential with the people." Since to influence the people was the sole purpose of this "strain of argumentation," it is as if one were to say that the poverty-stricken John D. Rockefeller has nothing but a billion dollars. More important is the measure of Professor Catterall's appreciation of the extent of the battle-

lines and of the real stakes of the battle. He seems to have thought that it was a struggle between two rival commercial corporations.

That Jackson from the first intended the destruction of the Bank it is almost impossible to entertain the slightest doubt. With him, it was simply a question of awaiting or of making the opportunity for attack. He said that he had always been opposed to banks, ever since he had first read of John Law and the great Mississippi Bubble. This hostility had been, ironically enough, confirmed for life by the eloquence of Henry Clay in his assaults on the First Bank in the debate on the attempt to recharter. In his first message to the Congress, Jackson included a paragraph which left no doubt as to his aversion to that institution ; but there were no unmistakable signs of public response. The press was almost entirely in the hands of the Bank and of the Whig Party.

On several occasions thereafter, he went out of his way to restate his feeling against the Bank, but there were still no signs of the necessary reaction.

In the meantime, Biddle had become unwisely involved in a lengthy correspondence with Secretary Ingham of the Treasury over the question of the political attitude of Jeremiah Mason, the head of the Portsmouth branch, who had offended Isaac Hill and Senator Levi Woodbury. Biddle defended Mason, who was an old-line Federalist and a close friend of Webster, declaring that everything showed Mason to be non-partisan. Biddle was undoubtedly technically correct. But the appearance of non-partisanship may be reached when a man holds himself to be *above* parties rather than *apart* from them ; and this seems to have been the gist of the complaint against Mason. In the course of this correspondence Biddle blundered into an untenable position as to the real powers of the Secretary of the Treasury. This was the worst of his early mistakes. Political activities of certain officers of the Norfolk branch were ex-

plained on the ground that they were simply engaged in exercising the ordinary rights of private citizens. This argument does not hold water. An officer of a great and powerful quasi-public institution, such as the Bank was in those days, cannot engage in politics as a private citizen. The thing is not possible.

There were similar and other complaints from here and there, but nothing to cause the Bank any real uneasiness. Jackson seized on these manifestations, slender though they were, to include in his annual message a stronger attack on the institution. He made it clear that he was opposed to its recharter. Biddle and his political lieutenants in the Congress were unperturbed. The Bank was overwhelmingly strong in both Houses, and even in the Cabinet. Indeed, in the entire Bank war, Jackson had but one Cabinet officer — Roger B. Taney — who gave him unwavering support to the end ; and many staunch Jacksonians in the Congress were equally staunch supporters of the Bank.

Then suddenly Thomas H. Benton, the sturdy Missourian, fired the first big gun. He asked leave to introduce in the Senate a resolution against the rechartering of the Bank, and backed it with a great speech. Benton was not a great orator, but he was tireless in quest of facts and skilled in putting them together to make an effective pattern. Above all, he had early in life embraced a democratic philosophy of government, and his devotion to this ideal was known and honored. Nothing could cause him to swerve a hair from the path pointed out by his principles. This quality gained him the confidence of the Jacksonians and the respect of his adversaries, and made him a power in the Senate.

None of the Bank's champions dignified this attack with a reply. Permission to introduce the resolution was denied without debate, a proceeding which did not at all surprise Benton. As he afterward wrote, he was simply making a political campaign speech against the Bank on the floor of

the Senate. It was intended for public consumption, and the public consumed it. Benton felt that he could honestly give himself credit for inflicting on the Bank the "wound of which it afterward died." And he wrote the boast proudly.

In this speech, the Missourian wisely ignored the Constitutional question, thus cutting the ground from underneath skilled debaters on that subject, such as Clay and Webster. The Bank was an "anti-republican monopoly," costly and dangerous. It constantly enjoyed the use of six or seven millions of dollars of the people's money, on which it paid not a cent of interest. (This was the average of undrawn deposits.) The $1,500,000 bonus which it paid for its privileges was more than offset by the interest charged to the Government on loans. The dividends paid to the Government did not balance the interest on the Government's stock note. These and other points were expanded and hammered at. But, above all, its tendencies were "dangerous and pernicious." It was an "institution too great and powerful to be tolerated in a government of free and equal laws."

This speech had its intended effect. Jackson followed later in the year with another reference to the Bank in his annual message. It was shrewdly phrased. There was about this passage a specious air of weariness, which not only deceived the friends of the Bank but has since misled a number of commentators, including Sumner. Jackson called attention to the fact that he had repeatedly, in official messages, given expression to his sincere conviction that the Bank was a dangerous institution, and there was now no occasion for "more particular reference." He had thus "discharged a conscientious duty," and the only proper course for him to follow was to leave the subject "for the present to the investigation of an enlightened people and their representatives." The "for the present" is the saving phrase, and the suggestion of "investigation"

was the cue for the next move. There was evidently a clear understanding between Jackson and Benton as they skillfully batted the ball back and forth. Jackson had no more intention of abandoning the fight than he had had of abandoning New Orleans.

The champions of the Bank hailed this message as a surrender. Clay, of standing counsel for the Bank, was again nominated for the Presidency by the Whig Party. John Sergeant — also of standing counsel for the Bank, and perhaps Biddle's most trusted adviser — was named for the Vice-presidency. With two of his hired lawyers heading the Whig ticket, Biddle may have been keeping the Bank out of politics, but a suspicion to the contrary might well have arisen in the minds of the least perceptive. It was not good politics — always assuming that there was among the common folk a widespread political distrust of the institution. Jackson and Benton and the "Kitchen Cabinet" knew this to be the fact. Biddle and Clay and Webster did not for a moment believe it ; and they would have considered it unimportant if true.

Thus they were impelled to come out immediately and pompously for the recharter of the Bank. Jackson must have felt as Cromwell did when the Scots came down the hill at Dunbar : "The Lord hath delivered them into my hand." Biddle seems to have believed that, by making certain concessions, he could certainly gain the President's support for a renewal of the charter. (It is amusing that among these concessions was the jettisoning of *McCulloch vs. Maryland* and the recognition of the right of the States to tax the branches of the Bank.) Secretary McLane of the Treasury in his last report had given the Bank his unqualified endorsement as a reliable and necessary fiscal agent of the Government. There followed much negotiation between Biddle and his friends, on the one side, and McLane and Livingston on the other. Many tentative agreements

were reached, and Biddle seems to have been assured by both men that there was ample ground for belief in the certainty of a friendly adjustment. In all of this, however, there is one significant fact : no representative of the Bank ever talked directly with Jackson and came away with any assurances of any kind. Secretaries spoke for him. Unofficial envoys were certain that they could arrange matters. But Jackson's public utterances stood unchanged by private speech — he was the enemy of the Bank. There is some indication of a change of heart, but only by inference, in a letter he wrote to Colonel James A. Hamilton.

Just when Biddle and the Bank men in the Administration seemed to be certain that they had reached an agreement on amendments for the charter which would satisfy the President, Benton suddenly moved for a Congressional investigation. Then Jackson waved the negotiations aside, and declared that nothing could be done pending the result of the investigation.

The conclusion that Jackson was insincere in these diplomatic exchanges is virtually inescapable. If he did not encourage McLane and Livingston to carry on, he certainly did not discourage them. There is little doubt that Jackson was trying to trap Biddle into further errors. He succeeded.

The Bank men in the Congress defied the investigators to prove their charges of corruption and mismanagement, and then the Bank proceeded to throw every possible obstacle in the way of developing such proof, if it existed. A special committee of the House was selected, owing to some slip-up in Parliamentary tactics on the part of the very able George McDuffie, chairman of the great Ways and Means Committee, and one of the unfailing supporters of the Bank. (Although lending on real estate was against the fixed policy of the Bank, Biddle lent McDuffie $100,000 on a mortgage, and further agreed to renew the

loan as often and for as long as the Congressman desired. The difference between a perpetual loan and a gift is so slight as to be almost invisible.)

Here had been the opportunity to silence forever the enemies of the Bank, and to enthrone Biddle in a power greater than that of the President of the United States. The Bank should have invited the fullest and freest investigation, concealing nothing, and offering the investigators every aid. That this was not done gives rise to the suspicion — as it did then — that the Bank did not pursue this course because it could not.

The investigation was pretty much of a fizzle, because the hostile majority of the Committee were ignorant of banking methods and technique, and could be easily mazed in a wilderness of, to them, meaningless documents. There were two minority reports, one a solo by John Quincy Adams, which Sumner considers the only one worth attention. There were twenty-two charges all told ; and, on all but four or five, the Bank was, on the evidence, entitled to a full acquittal.

It was fairly well established that the Directors had but scanty knowledge of the affairs of the Bank ; that all the important business was in the hands of the Exchange Committee, which was, in turn, really a rubber-stamp for Biddle. It was a one-man institution.

Even better for campaign purposes was the disclosure of Biddle's corruption of the press. Adams did not take much stock in these revelations, but other folk did. Webb and Noah, of the *New York Courier and Enquirer*, a staunch Administration organ, obtained a loan of $15,000 from Biddle — and promptly came out for the Bank. Duff Green, of the "Kitchen Cabinet," editor of the *Washington Telegraph*, got $20,000 from Biddle — and promptly came out for the Bank. Other loans to newspaper editors aggregated nearly $100,000. Adams's argument, that newspaper editors are as much entitled to bank accommo-

dation as are other business men, would have had weight had it not been for these repeated coincidences in change of editorial policy, and the more damning fact that there was the most anxious care to conceal these loans through the agency of third parties.

More pernicious than this practice, the Bank was in the habit of arranging loans and discounts for Congressmen, without interest or charge. Adams did not approve of this, but said that this phase of the investigation had to be dropped because it was discovered that *so many Congressmen of both parties were involved !* It is amazing that so honest and earnest a patriot as Adams did not see that this fact alone was presumptively sufficient to vitiate any Congressional report in favor of the Bank.

In a letter to Robert Lenox, May 9, 1831, defending a large loan to Congressman Verplanck, Biddle — who was keeping the Bank out of politics — made perfectly clear his understanding of the significance of these little acts of kindness.

"The existence of this institution," he wrote, "must depend on the opinion entertained of it by those who will *before long* [!] be asked to continue its charter, and altho I would sacrifice nothing of right or of duty to please them, or to please anybody, still, if a proper occasion presents itself of rendering service . . . so as to convert enemies into friends, we owe it to ourselves and to the stockholders not to omit the occasion."

No corruptionist in history ever couched it more neatly. It would seem rather that the management of a non-political and commercial bank owed it to its stock-holders to collect interest on loans, and to make proper charges for discounts.

It further developed that a second cousin, Thomas Biddle, who acted as broker for the Bank, had been withdrawing large sums without interest charge, on mere personal memoranda. Biddle admitted that there had been some-

thing of the sort, but said that the practice had been stopped. On October 15, 1830, Thomas Biddle was on his books for $1,131,672, for which he was presumably paying five percent interest. He was what is now called an "affiliate."

Lastly, Biddle's explanation of why he had been impelled to ask the Government for a six months' postponement of the payment of $5,000,000 of its three percent bonds was merely frivolous. It confirmed the suspicion in Jackson's shrewd mind that the Bank was unsound. Why Biddle persistently put out documents of this sort must forever remain a mystery. He must have known that anyone who could read the alphabet of finance could not be deceived by them. Probably he, too, thought that Jackson was just the "average, ignorant man."

In connection with the powers of the Exchange Committee and the operations of the "affiliate," Thomas Biddle, Sumner observes :

"We are forced to distrust the apparent result of the investigation of 1832, because of the light which is thrown back upon it by the history of the last years of the Bank. The very things which it was charged with doing in 1832, and of which it seemed to be acquitted, were the things which it did do, between 1836 and 1840, and which produced its ruin."

Clay and Webster, and the press, and the "leaders of finance" acclaimed the result of the investigation as a great triumph for Biddle. He evidently thought so himself. It must be borne in mind that the still comparatively young financier had had at this time nearly ten years of uninterrupted and growing power, unmarred by any serious setback. It was too much for his stability, as it would have been for any but a man of most extraordinary character. He felt himself to be hedged with impregnable grandeur — the same sort of thing which is likely to happen to our man in the White House. It is the peculiar curse of power.

He may set out with a clear understanding that the power is in the office, and that he is indeed great who can wield that power wisely and well. Then the poison of the power begins to work ; and, adored by sycophants who goggle at him and wonder what the country would do without him, he begins to believe that the power is in him and not in the office. He concludes that he is a superman, and where he once sought counsel he now seeks applause. It is a wonder that more of our Presidents do not leave the White House unmistakably active lunatics. Eight years of it is too much for any man, save that one in twenty million whom we rarely find.

John Jay Knox, in his *History,* thinks that this was the whole trouble with Biddle. "He over-rated his own power and that of the Bank, in the contest with Jackson, and perhaps to some extent permitted his judgment to be influenced by the adulation showered upon him as the controller of the financial destiny of the country."

Biddle now made the fatal blunder toward which Jackson and Benton had been goading him : in the face of Presidential hostility, and with the Presidential election at hand, he memorialized the Congress for a renewal of the Bank's charter. (The charter was to expire in 1836, before Jackson, if re-elected, would have left office.) The guerilla warfare organized by Benton in the Senate and the House was all directed toward this end — to make the Bank the political issue in the forthcoming campaign. Benton, in his *Thirty Years' View,* gleefully declares this to have been the fact. His heavy assault on the "branch drafts" — a pernicious device tending toward uncontrolled paper currency, and abolished in England by an Act of Parliament in the very year that Biddle adopted it (1826) — was merely a move in the larger strategy. South Carolina had already voted to nullify the tariff act. Forced to go before the people on that issue, Jackson would have been compelled to take a stand which would almost certainly

have cost him enough votes in the South to lose the election. It is true that he was generally known, or believed, to be opposed to the Nullification method of righting wrongs, but that was quite different from the daily hammering at the fact in a great political campaign. It was imperative that the Bank be forced into the open. Once it could be made visible as a factor in politics, it would automatically become the great issue — and, inevitably, it was doomed.

Biddle fell into the trap. The decision was his to make, and there is no doubt that he alone made it. Peck (*The Jacksonian Epoch*) believes that the financier was forced into the blunder by Clay and Webster. He bases this theory solely upon a passage in Thurlow Weed's *Autobiography,* in which the great Whig editor and leader records that Biddle told two different Directors, *after the election,* that he had reluctantly taken the step at the insistence of Clay and Webster. There is nothing remarkable, nor convincing, about this. When any group of men agrees to make a mistake, it will usually be found that afterward each one is convinced that he was reluctant but yielded to the others. This would be specially so in the case of a man like Biddle, whose ego had by this time become swollen beyond reason.

Moreover, it is the fact of human experience that the man who pays the piper calls the tune. The picture of the pompous and powerful Biddle being nose-led by Clay and Webster, in a matter of such vital importance to the great institution of which he was the czar, cannot be made to fit into the background. Biddle was the paymaster. Very quietly he loaned Webster $10,000 immediately after the "god-like" had made one of his best speeches for the Bank.

The bill to recharter passed both Houses, but by majorities so small as to make it certain that the measure could not be passed over a veto.

"If Jackson vetoes it, I'll veto him !" declared Clay, thus committing himself to an enterprise which was always singularly sterile of success.

Jackson returned the bill in six days, with his celebrated veto message. There is no need here to analyze this document. Some of the many reasons he gave were sound, and some were puerile. We have seen what was the only real reason, and that reason Jackson sums up in his splendid peroration, which again shows strongly the influence of John Taylor, and may well have been directed toward the tariff as much as toward the Bank.

"It is to be regretted," wrote Jackson, "that the rich and powerful often bend the acts of government to their selfish purposes. . . Most of the difficulties our government now encounters and most of the dangers which impend over our Union have sprung from an abandonment of the legitimate objects of Government by our national legislation, and the adoption of such principles as are embodied in this act. Many of our rich men have not been content with equal protection, and equal benefits, but have besought us to make them richer by act of Congress. By attempting to gratify their desires, we have . . . arrayed section against section, interest against interest, and man against man, in a fearful commotion which threatens to shake the foundations of our Union."

(The threat is still there today. In January, 1933, a veteran Legislator, the seventy-three-year-old William Martin, introduced into the State Senate of North Dakota a resolution calling on the thirty-nine basically agrarian States to join with North Dakota in seceding from the Union, taking with them the "stars, and leaving to those others the stripes they have so richly earned." Up to the time that this was written, the State Senate had taken no action, beyond voting to include the resolution in the record. In the same month, representatives of two different farm organizations told a committee of the Congress in

plain, set terms, that a revolution was impending in the trans-Mississippi country. These manifestations are not truly humorous. And the existing situation should surprise no one who has even pretended to follow the trend of economic and political events in that section during the past quarter-century. The farm population of several of these States was in what amounted to open insurrection in the summer of 1932. These communities are ruined ; and they have about lost hope of justice at the hands of a national government dominated by dishonest bankers, tariff-grabbers, and similar beneficiaries of special privilege. It might be well if we occasionally reminded ourselves that our country was made by men, and that it does not flow on of itself like our rivers. Our forefathers dreamed of a land of justice, wherein rich and poor alike might rest secure in the protection of their property and of their liberties. Greed, and the lust of power, have turned that dream into a nightmare of extortion and oppression — a nightmare from which we must promptly awaken, or see our liberties or our Union perish — perhaps both. This is not the wild cry of an alarmist. It is merely the typewriter of a patriot, setting forth facts so plain to view that there is none so blind he cannot see them, if he will only look.)

It is a fact that Biddle and Clay and Webster considered this flaming appeal to the people a colossal mistake on the part of Jackson, and Biddle actually paid for the printing and circulation of thirty thousand copies. He also wrote and caused to be written numbers of heavy pamphlets, devoted to the demolition of Jackson's weaker arguments — no great task — and he spent thousands of dollars in printing and mailing. The printing was done by friendly editors, who charged plenty. Biddle had established himself in Washington, where he assumed open and active command of the campaign against Jackson, and a stream of documents ensued. No one read these, save sycophants and friends, who burned incense before him and told him

that he was a demi-god. He was mentioned as a future President of the United States ; and, incidentally, in his dealings with the press, he had a contingent fund of about $30,000, for which he never gave any accounting. Professor Catterall holds this to have been "indefensible."

The political folly which dictated to the friends of the Bank the policy of making the Bank the issue of the campaign is not wholly unfathomable. Biddle was by this time a convinced superman. Clay and Webster were heartily in favor of the move. On their side was the great power of the Bank — which Benton charged was calling loans and making new loans wholly on political grounds. The other beneficiaries of privilege were, for the most part, solid in support. Nearly all of the press, and all of the Best Minds and the Best People, rallied around. In short, the Bank forces had everything but the votes of the masses, and they did not seem to think those important.

A number of the abler of the Whig Party leaders, such as Millard Fillmore and William H. Seward, who were more keenly interested in Party success than in Biddle's feud with Jackson, knew that they were committed to a disaster. Thurlow Weed declined to print, in his *Albany Journal,* Webster's powerful speech in reply to Jackson's veto message. In answer to remonstrances he said that there were two lines in Jackson's message which would win ten Electoral votes for every one gained by Webster's entire speech. The first one was the "fear" that the preponderance of foreign stock-holders might, in time of war, deliver the Bank to enemy control. This was, of course, sheer demagoguery. The other was the warning that the tendency of the Bank was to make the rich richer and the poor poorer. This was a plain statement of the truth, and was not demagoguery at all.

Jackson had forced the invisible government into a place of visibility. In effect, Biddle and his board of strategy asked the people of the nation to make this choice :

"Will you be governed by men of your own mind and choosing, or will you let the Bank of the United States take over your Government, and run it as it sees fit ?"

The people had no difficulty in making a decision. The reply was cataclysmic. Clay won forty-nine out of a possible two hundred and eighty-six Electoral votes, and the popular vote was also sufficiently impressive — better than five to four in favor of Jackson.

"When the election was over, and we were again beaten," wrote Weed in his *Autobiography*, "it was pretty generally admitted that the United States Bank, however financially useful, was not an element of political strength. There were, however, many influential Whigs so wedded to their idol that they adhered to it even after it became an institution of the State of Pennsylvania."

Biddle swiftly rallied from the shock, and at once set about making a reality of his last hope — the passage of a recharter bill over Jackson's veto. There was no longer any talk of compromise. Biddle now clearly understood that the strong-headed old democrat in Washington was no Jefferson to be buttered into pliancy, and no political amateur to be tricked into blunders. He openly put the whole of his still great power behind this move, and Jackson was alarmed. He wrote that he had reckoned on a safe majority of something like seventy-five at the opening of the session, but that so many of his followers were being "converted" to the Bank that he was fearful of a two-thirds vote in both Houses.

Jackson then decided on the removal of the Government deposits. This stroke caused a greater sensation than the election. And it frightened some of the sturdiest of Jackson's supporters. His reasons — as stated to both Lewis and Kendall, according to their writings — were as simple as usual. He believed that Biddle was bribing Congressmen to override the Presidential veto, and he did not propose that the tax funds of the people should be used to

corrupt the Government of the people. How much truth there was in this charge, if any, can never be known. It is a fact, however, that Biddle was dealing with the newspaper editors on a mounting scale of generosity.

For a long time it was popularly believed that this order of removal was directly responsible for the Panic of 1837. The fact is that the connection between the two was so slender as to be negligible. The country was highly prosperous, owing in no small part to the tariff compromise of 1833. Manufacturers dolefully abandoned the corridors of the Capitol and the easy method of making money by act of Congress, and went home to attend to their businesses. Here they made the astounding discovery that it was possible to earn money by attending to business, even with the tariff being progressively and rapidly reduced to a revenue basis. This prosperity formed the background for the orgy of inflation and stock speculation, led by Biddle and the Bank in 1836–37, which was responsible for the Panic.

Moreover, the word "removal" is misleading. The Government funds were not removed from the Bank by any sudden or arbitrary proceeding. Jackson did not send files of soldiers to take out six or seven million dollars in specie. The order meant simply that no further funds were to be deposited. Barring about $800,000, all the Government money on deposit at this time was earmarked for the credit of the proper public officers. The withdrawals took place in the natural order of Government business, and the funds were not exhausted for more than two years. If the Bank could not stand that, it was indeed in bad shape.

Some measure of contraction was, in the circumstances, natural and wise; but Professor Catterall says that Biddle carried it to a point at least three times in excess of any possible need of the situation. This was done deliberately, and for political purposes. Biddle was artificially creating a money stringency. It was another blunder, and

wholly one of his own making — albeit the fatuous Webster cheered him on. Biddle's own letters leave no doubt as to either his purpose or his responsibility. In reply to the remonstrances of one of the more sensible of his friends, he wrote :

"I believe that if the Bank were to suffer itself to be misled into measures of making money plenty, it would only give to its enemies the triumph of having robbed it with impunity, and only confirm what those enemies have said that their act of violence would be attended with no inconvenience to the public."

And again : "The Bank feels no vocation to redress the wrongs inflicted by these miserable people. Rely on that. This worthy President thinks that because he has scalped Indians and imprisoned judges, he is to have his way with the Bank. He is mistaken."

The Government of the United States must give Biddle his own way, or he would not allow the business of the people of the United States to be carried on. "The wicked in his pride doth persecute the poor," said the Psalmist, "and as for all his enemies, he puffeth at them." The delusion of grandeur was doing its worst for Biddle. He was by this time in that state of mind which must have been Ivar Kreuger's for years before that "financier" blew his brains out. Commercial houses and banks failed, and a committee of New York merchants went to Philadelphia to denounce and threaten. The *Bankers' Magazine* declared that the "pressure was wholly owing to the unprincipled action of Mr. Biddle."

These shrieks of mercantile anguish seemed to spur him to new madnesses. He refused to allow the Government directors to examine the books of the Bank, and he declined to give up to the Secretary of the Treasury the books of the pension funds. When a bill for nearly a million dollars, drawn by the Secretary of the Treasury against the French Government, went to protest (French governmental re-

luctance to part with money is not a phenomenon of recent growth) the Secretary redeemed the bill with interest, and offered to pay the Bank any actual damages incurred. But Biddle held that (because there was a law merchant in Maryland to that effect) the Bank was entitled to a penalty of fifteen percent — which he proceeded to deduct from the stock dividends due the Government. And the Supreme Court, still dominated by the influence of Marshall who had but recently died, actually sustained this preposterous contention. In *McCulloch vs. Maryland* the Supreme Court held that a Maryland statute was without force when it attempted to levy a tax on the ordinary banking activities of the branch of a private corporation, because the private corporation was, under a Federal charter, acting as fiscal agent for the Government of the United States, which was also a minority stock-holder. Then, a few years later, it held that a Maryland statute had power to coerce the sovereign Government of the United States into paying a fine to this private corporation, because the geographical accident of the location of the seat of the Government made it convenient to give many of those State laws effect within the Governmental reservation.

It is scarcely a matter of marvel that Jackson had scant respect for the Supreme Court. John Taylor, after *McCulloch vs. Maryland,* inveighed against the power of "a Supreme Court to gratify factions with power and money. Are such councils a better check upon ambition and avarice, than a genuine influence of the self-governing right ?" he demanded. Imagination boggles at the thought of what the old warrior would have written if he had lived to read the decision in *McCulloch vs. Maryland.* Of course, the Government re-opened the case, and, a few years later, secured a sane judgment wholly in its favor.

Webster, alone of the more important of Biddle's advisers, seems never to have doubted that the demoralized financier was pursuing the wise course. He wrote to Bid-

dle, in the worst days of the brief but bad money stringency, that "this discipline must have very great effects on the question of rechartering the Bank."

It certainly did, but not in the way that Webster had imagined. This artificial and malicious smashing of commerce was precisely the object-lesson needed to show all men the peril from which Jackson had saved them. The Bank had demonstrated to the dullest mind that an institution of such power could not be safely tolerated. And even the honest and level-headed Hezekiah Niles, who had always held that some such institution as the Bank was a necessity, changed his mind. He wrote that he could never again agree to the creation of such a financial Juggernaut. Its power was too great. Finally Governor Wolf of Pennsylvania, where the Bank was a source of great local pride, turned on Biddle in a savage message, and the entire Pennsylvania delegation in the Congress went over to Jackson's side of the fight. This was the death-knell. The fight for recharter was hopelessly lost.

The subsequent history of the Bank concerns us little. It is drearily similar to the history of other great and corrupt financial institutions, such as the later *Crédit Mobilier*. A charter was secured from Pennsylvania, almost certainly by corruption. Biddle was never able to explain what had become of $400,000 in cash which he drew at this time. Professor R. H. McGrane (*American Historical Review*) goes so far as to think that Biddle was certainly "prepared" to use bribery, if "necessary." The leader of the Bank forces in the Pennsylvania legislature was that sterling patriot, Thaddeus Stevens, who afterward led the parade of the harpies through the Congress during and after the Civil War. Stock-loans and speculation largely succeeded sound banking, and the officers used the funds for these purposes and for the "affiliate" businesses, without check. Biddle was still at the helm when the crash came in 1837,

but he resigned before the Bank failed. He was indicted for misuse of the funds, and was discharged on a technicality. Then he retired to his country place and soon died — of a broken heart, some of his friends declared.

It has been sneeringly said of Biddle that he should have devoted himself to *belles lettres,* the implication being that the vision which permits a man a distant glimpse of beauty also incapacitates him for the "practical." It is a quite common assumption, born of a mixture of ignorance and envy — ignorance of history and envy of the many-talented. Leaving to one side the fact that the sneer ignores Biddle's genius for pathfinding in the intricate mazes of finance, the young man chose a road which led him to a dozen years of imperial power and to two or three years of kingly combat — combat against the only power great enough to break his own. He would doubtless have lived a longer and happier life as associate editor of *Port-Folio,* and Burr would have said that in comparison he would not have lived at all. In his struggle with Jackson he lived — not merely played — a Titan's part in a great dramatic epic. He fought a royal battle in the royal manner, knowing that it must be a battle to the death. When the unconquerable old man in the White House challenged him to come out into the open and fight the power of the people, Biddle picked up the gauntlet in the full light of day. The courage of the blunder almost ennobled the blunderer. Biddle was not a sneak-thief at heart. His weaknesses and corruptions were inevitably incident to the weakness and corruption of his cause. They were not primarily in him : he had to make them his. It is impossible to fight in a dirty cause with clean hands. He was "called" to rule above the nation, and because it was not in him to be content with a lesser eminence, he went down half mad and wholly fighting. His swift moral disintegration in defeat, and the sequential physical dissolution, fol-

lowed as relentlessly as if Euripides had long since written the story of his life.

Jackson was right : Biddle was a brave man, as bravery is commonly reckoned. But he was not the one man in twenty million who can safely play with power — and it was his destiny that his adversary would be that one man in twenty million who could. That is the story of his downfall.

There was once a young shepherd named David, who was likewise addicted to *belles lettres* — or, at least, he left behind him some verses which the old-fashioned still hold to be not entirely without merit. He, too, seized great power, and soiled himself with corruption ; but he never lost a battle. At the height of his puissance he learned humility, and he died sane and honored.

Humility was the saving grace in Jackson, the humility of a great democrat. Neither his wisdom nor his power was in him : they came of the people. It was his simple creed that he was merely the mouthpiece and the sword of the great mass of his countrymen — the creed of the pure democrat. For democracy is not a system of government to live under, nor even a set of principles to live by. It is a faith to live in : the faith that the aggregate wisdom of the mass is in common things a safer guide than the self-determined wisdom of the intellectual — common things, those things which are our common concern. It was from this faith that Jackson drew his strength, and it was because of this faith that he left the White House, after eight world-rocking years, more sane and beloved than when he had entered it. He could throw himself, unflinching, into those dark and terrifying depths where is born the wisdom of the mass, certain that so long as he trusted himself fearlessly to the dangerous waters, they would sustain him in friendly buoyancy and bear him safely on the course which he must follow. He who would be a leader of men, and

has not the courage to submit his body and his spirit to this noble peril, who holds that he is too wise to be drowned, walks blindly into a more sinister danger. In his own self-determined wisdom, he sees only that water can deal death and destruction, and denies that it can bear great ships safely to haven and turn wheels of mighty power. The Nietzschean superman is not truly brave. He lacks the courage to abandon the road that plainly leads through power to dementia and an ignoble end. (There are many forms of St. Helena.) If he would really live dangerously and gloriously, let him aspire to be a great democrat. The great democrat takes the risk of divesting himself of his own claims to a little greatness, in order to attain the real greatness which comes to him from others.

With unavoidable omissions of much dramatic detail, this is the brief story of Jackson's "slaying of the Monster." Since we have the Monster of invisible government again with us today, and fully as hearty as ever, the pessimistic might ask whether the fight was worth while. But this is a false attitude. There were definite and enduring spoils of victory, and the indefinite gains were even more valuable. The idea of a central bank under private control was destroyed, and the people gained a new consciousness of their political power — but, unfortunately, not a consciousness of the danger in permitting that power to go unused. That we have the same fight on our hands again today is our fault, not Jackson's. If we cannot be roused to determined political action more than once or twice in a century, we should not be surprised to find that, in the meantime, the corrupt and the greedy who live by special privilege have quietly taken over our Government. They work to that end every day of the year, year in and year out. We have begun to accept it as an axiom that men who have something to gain from politics will always take more interest in politics than those of us who have not.

We forget that while they have something to gain, we have everything to lose. In a very literal sense, their gain is our loss.

When Jefferson spoke of "eternal vigilance," he should have said "eternal militance." The price of liberty is ceaseless warfare against the enemies of liberty. If a man were to remark that he had washed his hands fifty years ago, no one would be greatly surprised to find them today a trifle soiled. If we want clean hands we understand that we have to wash them constantly. If we want clean government, we have to clean it constantly. As the Red Queen explained, you have to run as fast as you can to stay where you are, and twice as fast to get anywhere. When a respectable figure with a boiled shirt and a huge bank account arises at a dinner or a public meeting and deplores the fact that politics are so dirty that no clean man can have anything to do with the game, that is the time not to believe him, and to take an extremely active interest in politics. The chances are that the next day he will send word to the "boys" to crack up the tariff rates, or to bribe the way for a new franchise through the Legislature.

As quickly as one device of invisible government is destroyed, a new one is invented. Only through widespread interest and attention can we keep abreast of this iniquitous ingenuity. The forms change and perish in the wrath of the people, but the spirit of invisible government knows always how to take on new forms. The simile of Hiawatha and Mudjekeewis recurs to mind ; for it will be remembered that while Hiawatha could defeat the West Wind he could not kill him. But that is victory enough, especially if the victory is won often enough.

That is why Jackson is, or should be, for us a great exemplar. He could not be swerved from his path, nor contented with less than victory ; and he showed us that victory is always possible. The Monster of invisible government will never be wholly slain in our lifetime, and prob-

ably not for many centuries to come. Before that miracle can be wrought, many millions of us will have to gain an always active spiritual understanding — instead of merely intellectual appreciation — of the virtue which caused Socrates to drink the hemlock, and Savonarola to walk unswerving to the stake.

CHAPTER VIII

PAY-DAY, 1837

To return for a moment to a thesis set forth in the opening pages of this study, *i.e.*, that facts are not truly facts when considered apart from the men who made them, we now come to an interesting illustration. To say that Jefferson and Jackson both used the tax-funds of the people to favor banks which showed a friendly political disposition would be an exact statement of the truth. But to say that therefore the two men's acts were identical in character would be a wild historical falsehood. Conditions were different, and motives were almost exactly opposite. Jefferson, with a partisan outlook, was using the public money to make party bankers. Jackson, with a patriotic outlook, was trying to use party bankers for the public weal.

When Jackson ordered the withdrawal of the public funds from Biddle's disloyal shepherding, this money must needs be deposited somewhere. The upright old man erroneously supposed that those institutions which had professed patriotic alarm over the growing power of the Bank of the United States would, if given the opportunity, render patriotic and dependable service to the Government. Amos Kendall went out on a scouting expedition with a view to uncovering precisely how much ground there was for this assumption. His report was not reassuring. Anything, however, was better than a defeatist return to the central Bank ; so the deposits were distributed among scores of State-chartered banks, with every reasonable safeguard to protect the Government's money.

At this point Jackson's experience became even more unfortunate than Jefferson's. Jackson did not have a Gallatin. In some cases these banks did not even wait until they had received the funds before they began their dishonest practices. They presented false statements of their specie qualifications as Government depositories, and juggled the deposits themselves to show that they had met the Government's specie requirements. Then they opened in full cry on the trail pursued by Biddle ; but their crass effrontery almost forbids the mention of them in the same sentence with that artistic manipulator. It was the path of 1819 and the path of 1929 — reckless inflation, deliberate stimulation of speculation, heavy "loans" to officers and "affiliates," suspension, collapse, and nation-wide disaster.

Even methods have changed but little in these hundred years. In the investigation of the collapse of the Detroit banks, which precipitated the nation-wide banking moratorium in 1933, it was brought out on the testimony of Senator Couzens of Michigan that "when the First National Bank in Detroit closed its doors here, its books showed more than $6,000,000 loaned to directors ; more than $2,600,000 on which directors had signed as endorsers ; more than $1,400,000 to employes, and more than $11,400,000 to corporations in which directors of the bank were interested. . . Stenographers getting from $2000 to $3000 a year were able to borrow from the bank up to $50,000." The Union Guardian Trust Company had assets of $6,000,000, with an officially appraised liquidating value of $4,000,000, to cover deposit liabilities of $20,500,000. Senator Couzens also charged that this last-named institution had " 'jockeyed' the Michigan Children's Fund out of $200,000," this being a fund established by Couzens to aid crippled and otherwise handicapped children of the State.

While technically, under the contracts with the deposit

banks, the Secretary of the Treasury in Jackson's day was supposed to have some authority to check such febrile lawlessness, he was in practice virtually powerless. It was also unfortunate — to use a euphemism — that Taney, then in charge of the Treasury, was himself a stockholder in one of the large "pet banks," the Union Bank of Baltimore. There is no real evidence of official misconduct against Taney for this or any other reason, but the fact itself constituted ethical misconduct of the most serious kind. It may certainly be presumed to have seriously handicapped him in any disciplinary measures he may have contemplated, especially after he had been cynically betrayed by his own bank. If he was not betrayed, then he was privately a party to a disgraceful conspiracy.

This Union Bank incident furnishes an example of the manner in which these loyal Jacksonian bankers kept faith. It also provided Biddle with one of his few just complaints against the administration. There was ample reason to believe that Biddle would attempt to harass the new deposit banks by a prompt demand for the full payment of any balances against them. In the cases of several banks where this would have been embarrassing, Taney supplied these institutions with protective drafts on Government funds held by the Bank of the United States. It was clearly understood that these were purely defensive weapons, to be used only if the Bank made sudden and unreasonable demands. Therefore Taney did not follow the usual course and notify the Bank of the United States that such drafts had been issued and would be presented for payment.

The Union Bank of Baltimore had hardly received its draft for $100,000 before it called on the Bank of the United States for payment, and the money was used in a gay and riskless plunge in the stock market. The Bank of the Manhattan Company in New York similarly and indefensibly presented a draft for $500,000.

It is not at all to the credit of Jackson's conscience that he found some way in which to ignore this conscienceless proceeding. He probably felt that, at the very birth of a new and untried fiscal policy, he could not risk a scandal which might have so publicly discredited the whole scheme as to force him back into the arms of Biddle. Moreover, Taney had been truly loyal to him, and Jackson loved loyalty. A later Congressional investigation brought out the truth.

There is another explanation which fits the facts, and which, from an objectively moral standpoint, reflects no more credit on Jackson. The Bank war had at this time reached its acute and final stage ; and Jackson firmly believed — not without strong presumptive evidence — that Biddle was attempting wholesale corruption of the Congress to pass the recharter bill over the Presidential veto. The ruthless old fighter may have held that any counterstroke which served to harass Biddle justified itself. This possibility, it should be emphasized, is merely a logical guess on the part of this writer. There is not a shred of evidence that Jackson planned this treacherous use of the Bank drafts.

And against this suggestion is the fact that Jackson again differed widely from Jefferson in that he did not try to convince himself that other and shameless operations of his "pet banks" must be beneficial because they had professed themselves to be in favor of the "reformed order of things." On the contrary, nothing that Biddle had done — not even the vote of censure in the Senate on the withdrawal of the deposits — roused the old patriot to a comparable fury.

"The history of the world never has recorded such base treachery and perfidy as has been committed by the deposit banks against the Government," wrote Jackson, when these institutions suspended in 1837. ". . . By suspension of specie payments [they would] degrade, embarrass, and

ruin if they could their own country. Now is the time to separate the government from all banks — receive and disburse the revenue in nothing but gold and silver coin, and the circulation of our coin through public disbursements will regulate the currency forever hereafter — keep the government free from all embarrassment, whilst it leaves the commercial community to trade upon its own capital, and the banks to accommodate it with such exchange and credit as best suits their own interests, both being money-making concerns, devoid of patriotism, looking alone to their own interests — regardless of all others."

(These lines make quaint reading in 1931–33 — when national suspension, so far from being a degradation, was the crown of statecraft, and when one of the first acts of the Government to relieve the effects of the depression was to use the tax funds of the people to ensure against loss the plunderers of the people. Jackson was born a hundred years too soon ; or at least there should have been some provision for a re-incarnation.)

Doubtless no small measure of Jackson's rage is attributable to the fact that this treachery of the "pet banks" placed in the hands of Biddle an invincible sword of vengeance. Nothing but the great banker's own corruption made of this weapon a sword of lath. If the Bank of the United States had continued specie payments for only a few weeks after the general suspension, the law would have forced the Administration to return to that institution as the sole depository of the Government funds. Biddle gave out one of his incredibly childish explanations of the failure of the Bank to take advantage of this glorious opportunity — it would have been a fault in comity to remain on a specie basis when its brother banks were suspending. The truth was that Biddle and his associates had so hopelessly involved the funds of the Bank in unsound if not actually dishonest enterprises that they welcomed any excuse for suspension. Thus Biddle robbed himself of a

final triumph over Jackson, a triumph which would have been dearer to him than all the money in the world.

Jackson, when angered, was not notable for restraint of expression, but the language here quoted in denunciation of the deposit banks was altogether warranted by the facts. There is no need nor intention to go into details, and an example or two will amply explain this fury. The Girard Bank of Philadelphia was capitalized at $1,500,000. Under the contract, deposit banks could accept Government funds only up to fifty percent of their capital. If convenience or necessity caused an increase of deposits beyond that ratio, then the deposit bank was required to protect the excess with collateral security acceptable to the Secretary of the Treasury. The Girard Bank promptly "persuaded" the State Legislature to permit an increase of capital to $5,000,000. The cashier, who acted as chief persuader at Harrisburg, was given two hundred shares of stock in appreciation of his powers of persuasion. This increase was covered by Hamilton's stock-note device, "and the bank was largely occupied in stock-jobbing to carry out this operation," wrote Sumner. The actual paid-in capital was never much more than $3,000,000, but the bank at the peak of its operations held Government funds up to $4,000,000. This illegal excess of $2,500,000 was never protected by anything.

A committee of stockholders, sadly exploring the ruins in 1842, observed that "the maximum of government deposits having been obtained, a system of prodigality in loaning them out was commenced, which baffles the conception of sober and reflecting minds, and of which we have but few examples, even in the annals of modern banking." The committee found about $200,000 of liquid assets in commercial paper. The remaining six or seven million dollars of capital and Government deposits were hopelessly congealed in "unavailable loans."

The Bank of the State of Alabama circulated nine dol-

lars in paper for every dollar of its specie, and its demand liabilities were eighteen times its cash assets. When the Union Bank of Florida shut up shop in May, 1837, it had $76 in foreign bank-notes to cover over $100,000 in deposits and over a quarter of a million dollars in circulating paper. Eleven failed banks in Massachusetts were all guilty of violations of the law.

These are not greatly exceptional cases. Numbers of such banks leaped into being to obtain Government deposits, or increased their capital to the same end. The lessons of twenty years before were unanimously forgotten. Speculation was the god, and the banks were his temples. It was impossible for anyone to lose. The Tammany Society, being in debt — which seems strange and unlikely — seriously considered starting a bank in order to pay off its obligations. In Rhode Island, there was a bank for every fifteen hundred of population.

When the Bank of the United States failed, it had been as thoroughly cleaned out from the inside as any great financial institution in history. Millions entered as "advances on merchandise" were sums used by Biddle and his associates in their efforts to control the cotton market. All the officers were heavy "borrowers," even an assistant cashier getting over $400,000.

Although it is doubtful if, at any time after obtaining a State charter, the Bank could honestly have paid dividends out of its earnings, it continued to pay eight percent a year until the insiders had unloaded their stock on the small investors at prices but little below and generally much above par. When the empty shell cracked, Biddle himself had exactly one share of stock. In order to proceed along these lines unmolested the Bank had spent $120,000 in corrupting the Legislature.

Out of the new anger of honest men against all banks grew the Sub-treasury system of handling Government funds — and nearly all of the banks of sturdy Jacksonian

patriotism promptly went over to the Whig party, leaving to the support of Van Buren only the Loco-Foco or "radical" wing of the Democratic party. (It is curious to note how often in our history "radicalism" is synonymous with honesty.)

The desertion of these faithless bankers was in a sense a distinct gain. Once more the forces of privilege and invisible government were largely concentrated in one political party, a party which was soon destroyed. They declared that it was impossible to separate the Government funds from private banking, Webster making one-night stands about the country to expound this principle. One day it was argued that if the Government refused to do any business save on a bullion basis, it would control the finances and the commerce of the nation. The next day it was argued that the Government would thus completely lose control of the finances and the commerce of the nation. Experts did not agree in those days any more than they agree today. But one fact remains clear. "The policy adopted by the government at this juncture," wrote Sumner, "prevented the national treasury from being dragged down into the sink of bankruptcy into which the banks had plunged themselves."

Under the Hoover administration we returned to a policy of at least dipping the toe of the Treasury into that sink of bankruptcy into which our banks had plunged themselves. In May, 1933, following an expert inquiry into the banking situation, Senator Carter Glass declared:

"For the past twelve or thirteen years there has been no espionage on the weak national banks. The Comptroller of the Currency admits that if he had enforced the law he would have closed half of the national banks in the country. He means that the Comptroller's office has not done its duty and has allowed banks to engage in irregular and illicit practices. It has endangered the whole banking community and paralyzed the whole business community."

Many of these banks, such as the notorious Harriman National in New York City, were permitted to accept deposits long after it was known to the Federal examiners that they were insolvent.

It is not possible, nor desirable, in this work to take up in detail the various fiscal policies of the Federal Government in the past century. It is enough to say that no system of government-supervised finance has yet been evolved which cannot be made to serve the dishonest and the privileged. This recurrent tendency cannot be stopped by law, because it cannot be too often emphasized that governments are operated by men, and not by laws. Well-drawn laws with an honest intent increase the difficulties of such machinations, and that is all that can be reasonably hoped of them. The results are dependent upon the human administration of such laws. As this was written, there was apparently a determined intention to separate entirely commercial and investment banking. If this plan could be carried to the point of forbidding commercial banks not only to underwrite investment securities, but also — and perhaps even more importantly — forbidding them to lend money on such securities, or on real estate, a great step forward will have been achieved. It might well take the powers of invisible government some years to crack this nut.

The economic collapse which began with the bank suspensions in 1837 resulted in one of the worst and longest periods of suffering in our history. It is no comfort to dwell on the details of human anguish ; and what has already been said about the Panic of 1819 may be multiplied by two or three to give the reader a picture of those days of woe. The fact that starving folk charged through the musket-fire of soldiers to reach the flour warehouses in New York City may serve to bring to the picture a touch of its true color.

Unknown in those days were the modern community

efforts to relieve distress — efforts born of our altruism or of our fears, according to the individual estimate of human nature. A letter from Washington Irving to his friend Gouverneur Kemble in 1838 is an almost awe-inspiring example of the smug detachment of those whom the accident of circumstance had placed beyond actual want. Point is given to Irving's philosophical calm by the fact that the first and greater part of the letter is devoted to an outline of terms for a loan on a mortgage. No modern loan-shark ever showed more anxious care for the safety of his money. Irving wanted not only the property as security for the mortgage, but also the borrower's life-insurance policy and any other assets which might be available.

Having arranged these matters with great profit to himself, Irving was in a mood to observe that there was quite a bright side to the suffering of the people.

"There are moral as well as physical phenomena incident to every state of things," he wrote, "which may at first appear evils, but which are devised by an all-seeing Providence for some beneficent purpose. Such is the spirit of speculative enterprise which now and then rises to an extravagant height and sweeps throughout the land."

Here, so far as this writer knows, was the first definite discovery of God in Wall Street. The plain evidence of the divine authorship of these disasters lay in the fact that those who were pillaged and broken by this beneficent alliance of the Almighty and the corrupt often set out for the West to begin life anew, and thus to force "agriculture and civilization into the depths of the wilderness."

Irving's letter should have been read to those unemployed who left their home environment to go into the forestry camps of the Government in 1933 ; and it would be a guilty suppression of truth not to record the fact that at least one of the victims of these early lootings seemed to endorse Irving's view of the matter.

"I have a letter from an honest man who was coaxed to ruin by his bank," wrote Niles, in his *Register.* "Driven to the wilds of the West, he laments the friends of his youth and the loss of society, details the hardships that belong to a new settler, and enumerates many privations, but 'blesses God that he is out of the reach of a bank.' "

Irving's faith in the Holy Ghost as the inspiration of these periodical orgies of gambling against loaded dice is, in fact, widely held today, although we do not commonly and consciously attribute these fevers to divine origin. At the same time, when there has been a national carnival of strewing this gunpowder about the premises, much of our investigation of the ensuing disaster, past or present, tends to take the loose gunpowder for granted, as a sort of act of God, and to concentrate on efforts to determine whether it was a wooden or a paper match which touched off the explosion.

Much of this cloudy thinking results from a failure to distinguish between the source of a depression and the precipitant. For example, the causes of the Panic of 1837 are plain to view. They were the great land speculations, Biddle's gigantic scheme to manipulate the international cotton market (modeled largely on Robert Morris's monopolistic adventure in the tobacco trade in the 1780's) and similar speculative enterprises. The precipitants of the panic are equally visible, but even today they are sometimes referred to as the causes.* One of the first of these was the serious wobbling of a group of English banks, somewhat associated with Biddle's adventure, which had been engaged in a wild spree of bill-kiting. This is a simple mechanism, and it works excellently so long as it works. A banker in New York meets a demand with a bill drawn on a banker in Philadelphia, who meets the demand with a

* Professor R. H. McGrane, in *The Panic of 1837* — an extremely immature piece of work — declares Jackson's specie circular to have been one of the principal causes of the Panic, whereas the plain fact is that it was merely one of the precipitants.

bill drawn on a banker in Pittsburgh, who meets the demand with a bill drawn on a banker in Buffalo, who meets the demand with a bill drawn on the New York banker, who meets the demand by starting the merry-go-round all over again. When something happens to break the circle there is a disastrous pay-day.

Another precipitant was the attempt of the Government to distribute the surplus in the Federal Treasury among the several States, according to the ratio of representation in the Electoral College, without regard to the commercial needs of the various sections. This is another point in which government differs diametrically from business. A surplus over operating costs is always a good thing for a business corporation. For a government it is vastly more demoralizing than a deficit. In this respect a government is like a railroad train : there may be a dozen good reasons for its running behind, but not one good reason for its running ahead. This attempt to redistribute Government funds on a political basis tended, of course, to upset intersectional exchange.

A third and powerful precipitant was Jackson's famous "specie circular," in which he forbade the Land Office to accept payment for public lands in any money save gold or silver. This was a death-blow to the speculation ; for choice Government lands were being turned over to groups of inside speculators by a simple shifting of paper money. Between 1832 and 1836 the sale of public lands rose from about $2,000,000 in a year to about $25,000,000 in a year. In a few lines of his message of 1836, Jackson lucidly explains how the process had been carried on :

"The banks loaned out their money to speculators, they were paid to the receivers, and immediately returned to the banks to be let out again and again, being mere instruments to transfer to speculators the most valuable public lands, and pay the government a credit on the books of the banks. These credits on the books of some of the

Western banks, usually called deposits, were greatly beyond their immediate means of payment, and were rapidly increasing."

But the nation as a whole was so drunk with its fatuous dreams of riches that even a staunchly Jacksonian Congress passed a bill nullifying the "specie circular." Jackson killed the measure with a pocket veto.

Again it should be emphasized that this "specie circular" was obviously a mere precipitant of the depression. If none of the three here mentioned had ever been facts of history, the bubble would have collapsed for some other reason.

Thus it is clearly to be seen that there is, and there was in Irving's day, a much more simple and less mystical explanation of the "spirit of speculative enterprise which rises to an extravagant height." It is not so much the work of "an all-seeing Providence" as it is the work of an all-reaching propaganda — the propaganda of the stock-jobber. This unremitting persuasion begins by being sinister, but it becomes truly devastating only when it is ignorant. This is to say that when a group of crooked company promoters can sell their paper to a sufficient number of investors, they "gain public confidence" — because each of these honest but ignorant "investors" becomes an active propagandist. Each new enterprise adds impetus to the movement ; and by the time there are hundreds of these companies in operation, with hundreds of thousands of investors, the snowballing growth is appalling and irresistible. "High-pressure salesmen" and newspapers and radio broadcasters add their heavy volume to the flood of mail and word-of-mouth propaganda, until the whole nation is enmeshed.

Even before this point is reached — the point just preceding collapse — nothing is too fantastic to be believed. In the aureate days of 1928–29, a New York morning newspaper warned its readers not to "sell America short" ;

and a few inches from this slogan appeared a solemnly and even enthusiastically written report of the fact that one of our largest private banking firms had successfully "merged" toilet soap and baking powder! Obviously, when two or more such inflated companies, with a combined capitalization of, say, fifty million dollars, are "merged" with a new capitalization of seventy-five or eighty millions, there can be but one purpose behind the manipulation: to sell to the public an additional twenty-five or thirty million dollars of doubly worthless stock. They sold it; for in those days anyone who attempted to point out the transparent folly of buying such stocks was held to be treasonably "selling America short."

During this same period a metropolitan editor, who had too much common sense and ordinary social honesty to be fully entrusted with determining the editorial policy of his newspaper, asked some of the young men in the financial department how much longer they sincerely believed the insanity could last — and did anyone honestly suppose that New York Central, one of the "blue ribbon stocks," was worth $250 a share? The New York Central, he pointed out, was committed to contractual obligations on the North River water-front of Manhattan Island, which could be looked upon as a guaranty against any real profits for years to come.

The financial experts explained that there was "an accumulation," and they were bored when he wanted to know what that meant.

"They just looked at me, with faint, pitying smiles," said the editor. "They were too polite to say so, but they were plainly thinking, 'The poor old dodo, he doesn't know that we have entered into a new economic era where we are all going to have two chickens in each sport coupé,' or whatever happened to be the slogan of the moment."

When these lines were written New York Central was selling for about $20 a share, but there was a great dearth

of buyers. Something had happened to the "accumulation," as well as to the new economic era. These journalistic "experts" were not dishonest — certainly not all of them were, and probably none of them were — but they were colossally ignorant, and the ignorant propaganda which they put out daily to their readers carried therefore the added weight of sincerity. Roger Babson for a time strove valiantly to uphold the tradition of Hezekiah Niles, with about as much effect on the shaping of public opinion. When all of the agencies of propaganda combine to fool the people, one or two honest men such as Babson and Stuart Chase cannot do much about it. They cannot get even a real hearing.

An identical process unfolded a century ago. Washington Irving may be forgiven for believing that Providence had much to do with the speculation, if he read any of the "selling literature" issued by the land companies. Professor Sokolsky (*The Great American Land Bubble*) quotes from a few of these prospectuses. Their promises were indeed inspired. No one took thought to discover whether there was any sound and enduring basis for these ventures. For example, one of the larger speculations centered around a huge land grant for the building of a canal in Illinois, connecting Lake Michigan with the Mississippi, via the Illinois River — a project practically useless, and thoroughly unsound from an investment standpoint.

European investors lent recklessly to the State because the national Government was clear of debt and because the Erie Canal had proved to be a valuable and flourishing waterway. Much of the propaganda about speculative enterprises rests upon just such childish logic. The fact that the government of a country does not owe any money is no indication one way or another that the country itself is a good field for specialized private investment ; and the free use of the Erie Canal as an important highway to the

West proved nothing about canals in general. Yet money poured in from all parts of the country, as well as from abroad, for "investment" in lands which might be held to be anywhere in the general neighborhood of the proposed waterway.

The economic life of the whole region and of the nation in general was completely demoralized by these and similar speculations. The extravagant wages offered for labor to work on the canal, and on its attendant enterprises, drained man-power from the farms. Others, with a little money, gave up their agricultural employments to grow rich in land speculation. It is the all but incredible fact that in one twelvemonth period the great farming State of Illinois exported not a single bushel of wheat. New York City, although at the terminus of the Erie Canal, the great grain highway from the West, was compelled to import wheat and flour from Europe. The economic life of the country had walked through the looking-glass into a topsy-turvy land, but everyone was growing "rich." And there were probably assurances of two canals in every barn.

In the midst of the subsequent depression, when the cotton-growing South was quite prostrate (ninety percent of the business firms in Mobile were forced to suspend), a New Orleans newspaper found a grim solace in the assurance that such a thing could never happen again — that the tragedy had seared itself so deeply into the souls of the American people that there could never be another such inflation and collapse. Quite a few of our newspapers in 1932 were editorially sustained by the same hope. Then they proceeded to bear testimony in a curious way. When the stock market "jumped" or "rushed upward" a point and a half, the news was given a place of honor on the first page. When, in the next few days, the market slumped three or four points, it was recorded on Page 34 that there had been a "technical re-adjustment" or a "healthy re-action."

When we quote Lincoln's famous dictum, we are so proud to believe that we cannot all be fooled all of the time that we ignore the first and most important postulate: "You can fool all of the people some of the time." That is when the damage is done, and it is done by propaganda. There is but one sure and deadly foe of this propaganda, and the name of it is knowledge, that knowledge which is distilled in the laboratory of history. When such knowledge becomes the common property of the people, it is impossible to fool all of the people even some of the time. In that sense only, knowledge is power.

Until this knowledge is widely disseminated, money, the money of special privilege, will continue to be power. And the forces of invisible government know this fact even better than they know most of the facts which it is their business to know. With the greater part of the press and the radio facilities in their hands, along with the majority of our local and larger governments, they are not greatly alarmed by any amount of such knowledge which may be slumbering on the library shelves. They have invented for us a new slogan, "School-houses are power"; and, without troubling ourselves as to what goes on in these huge and generally graft-built structures, we cheerfully contribute millions of dollars annually to great diploma factories and to a sprawling and corrupt public school system, dedicated — with a few honorable and too often obscure exceptions — to a ghastly nescience which we miscall education. In New York City, at least, it is a fact that there are public school teachers who cannot even write or speak the English of the educated. And the principal concern of the higher educational officers of the city — apart from their zeal to protect the large salaries they receive for uninforming the young — seems to be to "prevent Communism from getting into the schools."

Of course, anyone with even a rudimentary love of his

country, and with the knowledge that its future depends on its young, should be greatly concerned to see that Communism does get into the schools. Any boy of the machine age, between the ages of, say, sixteen and twenty-three, with intellectual curiosity and a capacity for social idealism, will embrace the doctrines of Marx if he ever hears about them. He will if he is worth his salt; for Socialism is a noble, albeit utterly unsound, attempt to give practical force to that dream of brotherhood which was born two thousand years ago at the foot of the Cross. Youth should be more concerned with the nobility of an ideal than with the value or practicability of a suggested method of realization. By the time the young man is twenty-five, and has suffered a number of unpadded contacts with the inexplicable two-legged mysteries who are his fellow-men, he will have lost faith in the method but not in the dream. Again, if he is worth his salt, the idealism and the intellectual curiosity will be all the stronger. He will have abandoned the quest of the Absolute, and his education will then be well advanced.

A man of spacious mind and kindly tolerance — in his case the product not only of a wide range of well-digested information, but more particularly of a broad understanding of men and a devout inner faith in his understanding of God — remarked that he was much troubled about his university son, who had reached the age of twenty without developing a symptom of Marxism.

"You and I know," he said, "that the longer it is getting to him, the heavier the impact is likely to be. I wish he'd get it and get it over with."

His concern over this and kindred matters should be the concern of every father in the land. The wonder is not that the boys and girls who take part in this amazing pageant of "education," as we have conducted it, are not educated, but that a very considerable minority emerge

from the performance with a real desire for education. Someone once said that the American people were a nation of economic illiterates. It was an understatement. We have seemed to be deliberately aiding the enemies of liberty to create a nation of generally ignorant literates; and there is more hope in a nation of ignorant illiterates. Our need, the need of all who aspire to be free, is for courage and wisdom. The ignorant illiterate often gains a simple wisdom by observation; and his courage is not sapped by insidious shibboleths and smoothly dishonest formulas which temporarily possess the spurious authority of the printed word.

More than a hundred years ago, Thomas Baker Waite, a New England publisher (it happens that he was a maternal great-grandfather of this writer), debated in Faneuil Hall in Boston against Harrison Grey Otis — of the Funding and the Essex Junto — on the question of free schools. Waite held that in universal education lay the only safety of a free people, and that therefore universal education was a public duty. Otis argued that it was unjust, if not unconstitutional, to tax his great property for the purpose of educating the children of other men. Every man should pay for the education of his own children.

The arguments of Waite have prevailed in theory, but political descendants of Otis have toiled zealously to turn what was to have been a bulwark of liberty into a sinister engine of invisible government. Some twenty-odd years ago there was a determined drive, headed by the Rockefeller Foundation, to eliminate almost entirely from the grade schools of New York City the cultural concept of education, and to replace it with a curriculum of "industrial education." The children of the poor were thus to be shut off from even a possible glimpse of that life of form and color which we call culture, and to be trained in wage-slavery. It must ever be a source of regret to the patri-

otic respectable that this diabolical scheme was defeated largely through the opposition of Tammany.

There could be no better proof of the persistent authority of propaganda than the fact that in 1932 more than fifteen million grown men and women voted to return President Hoover to office. After Returning to Normalcy with Harding and the oil-thieves, Keeping Cool with Cal and the corrupt inflationists, and finally Standing By the Great Engineer, fifteen million adult Americans asked for a repetition of the dose. If this vote meant anything, it must have meant exactly that. Hoover had been a figure of rising prominence in the Government throughout those twelve years, and the vote for him could mean only that these voters had learned essentially nothing from experience. They accepted the propaganda that it was not the fault of the loose gunpowder : someone had thrown a paper match into it. Let us have more gunpowder and we will be careful to use only wooden matches. Add to this the fact that many who voted for Roosevelt did so in the belief that he would, even more than Hoover, hasten the return of that same sort of "prosperity," and the total is impressive.

There have been but few signs of widespread or earnest attention to the efforts of thoughtful men who have been concerned to discover and destroy the source of the gunpowder — such as may be found, for example, in governmental interference with the natural laws of commerce. No Big Business Man can compare with the lowliest democrat in the belief that the Government should stay out of business. Tariffs, subsidies to railroads and shipping and airplane companies, sanctioned monopolistic combinations in restraint of trade ; other careless or corrupt delegations of sovereignty in the form of land-grants, of power and other franchises, and in the control of credit and the currency ; doles and pensions ; and the attendant maintenance of a huge and costly and parasitical bureaucracy —

all of these are governmental interferences with the free flow of commerce. And they are full of perennial gunpowder.

It is the business of the government of a free people to see fair play between man and man, and to see to the free play of the natural tides of business and industry, without artificial checks and barriers and stimuli. No man of courage and honesty can ask more of his government, and no democrat can be content with less than seeing that he gets it.

"Distinctions in society will always exist under every just government," declared Jackson, in the Bank veto message. "Equality of education or wealth cannot be produced by human institutions. In the full enjoyment of the gifts of Heaven and the fruits of superior industry, economy and virtue, every man is equally entitled to protection by law. But when the laws undertake to add to these natural and just advantages artificial distinctions, to grant titles, gratuities, and exclusive privileges, to make the rich richer and the potent more powerful, the humble members of society, the farmers, mechanics, and laborers, who have neither the time nor the means of securing like favors for themselves, have a right to complain of the injustice of their government. There are no necessary evils in government. Its evils exist only in its abuses. If it would confine itself to equal protection, and, as Heaven does its rains, shower its favors alike on the high and the low, the rich and the poor, it would be an unqualified blessing."

One wonders whether we shall ever develop the courage and the common sense to give such a government a trial.

CHAPTER IX

THE COMING OF THE STORM

PRESIDENT TYLER'S effective opposition to the attempted creation of a third Bank of the United States in the early 1840's marked the end of an epoch which any reader of our history must be loath to leave, especially one interested in that phase of our national story which is here being considered. In these years, the purposes and the methods of invisible government were made clear, as were the best tactics for combating these enemies of the commonwealth. Subsequent disguises assumed by these powers have been in general only variants of these earlier forms, albeit in not a few cases the original model has been so cleverly concealed as to merit further and special attention.

The gigantic and swiftly moving drama of political warfare in that formative period of the Union has inspired books which read almost like epic poems, such as Peck's *The Jacksonian Epoch* and Professor William MacDonald's *Jacksonian Democracy*. Add to these some such work as the later, but stodgier, *Fifty Years of Party Warfare* of Professor William O. Lynch, and it becomes a fascinating exercise to compare the differing viewpoints and evaluations. If read in connection with those histories of banking aforementioned, and the writings of Sumner and Professor F. W. Taussig on the early history of the tariff, they will paint on the reader's mind a great and imperishable panorama, of which these few chapters are but a feeble sketch.

Both Sumner and Professor Taussig are agreed that the

fifteen years or so preceding the Civil War were the Golden Age of the Republic, if we can be said to have had a Golden Age. It was also a low-tariff age, the duties, on a comparatively small list of dutiables, averaging about twenty-five percent. The brief interruption, known as the Panic of 1857, due largely to growing speculation in Middle Western railroad stocks and to the old disastrous experiment of currency inflation on the part of a number of the State banks, seems not to have deceived the folk of those days as to true cause and effect. The tariff was promptly lowered to average duties of about twenty per-cent. There seems to be little doubt that there was more widespread prosperity of a solid sort in that period than in any preceding or following. From this it would be simple, and dishonest, to argue that the low tariff was solely responsible for the well-being of the nation. There were other and important causes. But it certainly may be argued that the low tariff was an important contributing factor. On the other hand, there is some shaky ground for the contention that the tariff increase of 1842 — the promise of increased subsidies — may have been the little priming needed to set the country off on the path of economic recovery, although this increase was of short life. Sumner ignores this possibility, but Professor Taussig considers it worthy of serious mention. These coincidences are likely to be misleading in both directions. The broad argument against the protective system — apart from the unanswerable demonstration of free trade among the States — is along wider and surer lines. When a nation like ours, so rich in natural wealth and in the brains, industry, and fortitude of her children, instead of having attained a solid and unshakable level of well-being, flounders from one depression into another, it should be obvious to a child that only artificial and anti-social forces have confined us to this damnable circle.

As a class, the workers in the protected industries of the

Middle and Eastern States had but little share in this Golden Age. Considerably more than fifty percent of them were women and children. Up to about 1840, agriculture was the real business of the majority of industrial workers. Their connection with machinery was generally of a temporary nature, brought about by the need to earn a little extra cash for some definite purpose, as the tariff steadily reduced the purchasing power of agricultural produce. But now "industrial centers" began to take definite form, the early infiltrations of the Irish immigration partly providing the raw material in the form of cheap labor, without a settled land background upon which to retire. In 1840, Lowell, Mass., had become a mill-town with a fixed population of about twenty thousand, largely overworked and underpaid Irish. Emerson, too closely bound by tradition and blood to break openly and entirely with his caste, treated the Lowells, and the Lawrences, and the Appletons, and the other hypocritical labor-crushers of the clan, with searing contempt. Abbott Lawrence, one of the biggest of the mill-owners, was "fully possessed with that hatred of labor, which is the principle of progress in the human race." Or, as we were saying in the post-war years, "Only saps work." This savage irony sounds little enough like the traditional Emerson, but he went on to point out that it was fitting that Lawrence, and his sanctimonious kind, should have a fellow-feeling for the slave-owners of the South, since they purchased Irish slaves and worked them twelve hours a day and upward at starvation wages.

"Boston or Brattle Street Christianity is a compound of force," wrote Emerson, "or the best diagonal line that can be drawn between Jesus Christ and Abbott Lawrence."

In the circumstances it was altogether natural that these industrialists should give up Christianity and embrace Unitarianism. An extreme liberalism in religion is not infrequently the handmaiden of an extreme illiberalism in

social relations. The softening of the religious dogma quite often goes hand in hand with the hardening of the social conscience. Having trimmed the Triune God down to a single remote and not particularly potent Deity, it was logical that men of this type would then trim Christian ethics down to the vanishing point. Which was cause and which effect, which process preceded the other, is not deeply material. Many of the orthodox in New England, coming to distrust the "atheistical" atmosphere of Harvard, sent their sons to Brown. These became the captains of the Jacksonian democracy against a fortalice of privilege. Professor Arthur B. Darling (*American Historical Review*) in the course of an excellent paper along these lines observed:

"That their sons became leaders in the Democratic party in Massachusetts would seem to indicate the close sympathy of orthodoxy and democratic principles."

Professor Darling was not the first nor the last thoughtful man to notice this phenomenon. G. K. Chesterton's *Orthodoxy*, of a quarter-century ago, is an argument almost wholly directed to this end. Of all the programs for social reconstruction offered to the world in the post-Armistice period, that which was clearest in concept and strongest in logic — granting the probable persistence of mass-production — was the plan put forward by the Catholic hierarchy in the United States, under the imprimatur of the four Bishops of the National Catholic War Council.* There is nothing obscure about this conjunction. Confessors of a faith which can know no victory until the world is free of moral errors must inevitably be sympathetic to political protest against social and economic injustice. It is possible for a man to be a devout democrat without being an orthodox Christian, but the con-

* Perhaps mention should be made of the fact that this writer's judgment is here objectively formed, at least to the extent that he is not a communicant of the Catholic Church, nor is he a member of any other religious organization.

verse is certainly not true. An orthodox Christian, one whose daily spiritual bread is the living faith of the Apostles' Creed, must be a devout democrat.

Professor Darling thinks that such men as Emerson and Channing were influenced, as was George Bancroft himself, by the latter's explorations of Transcendentalism in Germany. Bancroft became a stout staff of social decency, and the foe of slavery in any form.

These New England industrialists were in the Federalist-Whig line of political succession, and in Massachusetts they controlled the dominant political party. This power they did not fail to use for private ends. The purpose and the financing of the Western railroad to Albany sufficiently explain the fact that the strength of the Democrats in Massachusetts lay with the small-farmer class, and with the smaller bankers and merchants of the rural districts.* The promoters of this privately owned railroad secured the public credit of the State to finance the project. The purpose was to connect the growing industrial centers of Eastern Massachusetts with the cheaper food supplies of the West. Thus, the farmers were taxed to pay interest on bonds to finance an enterprise designed to destroy their own markets. An important by-product of this venture was that the resultant partial degradation of the smaller agriculturalists forced them and their families further into the industrial labor field, and thus increased the supply of cheap labor. The labor conditions on the railroad construction works were even worse than those in the mill-towns. Of the former, an angry Emerson wrote in his *Journals*:

"'To work from dark to dark for fifty cents the day,' as the poor woman in the shanty told us, is but pitiful wages for a married man."

* All such generalizations as to the constitution of political parties in our history must be regarded as broad outlines only. All of our parties of national consequence have cut across class lines. We have never had an avowed *class* party of major importance, although several of the agrarian revolts have approached it.

The Whig Party, which provided the major political machinery for these enterprises, was moribund. When the common folk of Rhode Island, weary of corruption and oppression, at last resorted to arms to win the protection of a free and general suffrage, the Massachusetts leaders offered to their Rhode Island brethren-in-privilege the military aid of the State. This gesture did nothing, locally or nationally, to revive the dying party, whose strength had been eaten out by its own service of iniquity.

When a beautiful girl is being maintained as a *femme couverte* by a corrupt old plutocrat, she is generally anxious to conceal the fact. A woman of more advanced years is likely to be unashamed, or even proud of it. It is often so with political parties and political leaders. Usage changes the face of things, and the badge of shame is worn as a decoration. Emerson, who really has some claim to be called a literary descendant of John Randolph of Roanoke, and even a political kinsman of John Taylor of Caroline, wrote of the "god-like" in 1849:

"Mr. Webster has now in his turn chosen evil for good, less innocently than Mr. Hayne, and Mr. Hayne is avenged. For it is certain that he will be cast out and ruined."

What had been plain to John Randolph some twenty years earlier was evident to all clear-eyed men in 1849. None the less, Emerson at this time displayed unexpected talents as a political diagnostician. He sensed that the lords of invisible government needed new tools. The old ones were blunted from long exposure.

"Any form of government would content me in which the rulers were gentlemen," wrote Emerson, as one naïvely asking for a reasonable minimum, "but it is in vain that I have tried to persuade myself that Mr. Calhoun or Mr. Clay or Mr. Webster were such ; *they are underlings, and they take the law from the dirtiest fellows.*"

The italics are this writer's, but the fact was underlined at the time by the "dirtiest fellows" themselves. It was

high time for a new disguise. Partially, and gingerly, enfolding themselves in the religious aura of the anti-slavery feeling, they moved over into and took charge of the new Republican Party. The name was a happy choice on the part of the worshipers of Hamilton and the Funding Fathers, for among the common folk it awakened memories of Jefferson and Jackson.

Some of our earliest political interference with the temperance movement occurred in Massachusetts at about this time. A part of the Democratic following were in favor of prohibition, partly through perverted religious notions, and probably also as an assertion of a power to annoy their wealthy oppressors. Governor Edward Everett attempted to out-general these "reformers" by working for a statute to forbid the sale of liquor in quantities of less than fifteen gallons. This measure had the support of the larger industrialists of the day for the same reason that the Eighteenth Amendment had the support of that class in our own. In both cases it was fairly plain that the well-to-do would be able to obtain all they wanted to drink, while the workers were to be forced into comparative abstinence. The latter would thus, theoretically, become more efficient and more docile machine-hands. Either ordinary political common sense was keener in those days, or the tyrannous nature of the law was more clearly evident, for this wrong-headed move resulted in a temporary setback for the privileged. It is an amusing paradox that the president of the Temperance Society was elected Governor by the Democrats on a pledge to repeal the fifteen-gallon law.

Wages in this period failed, as always, to keep pace with the increasing cost of living, especially after the discovery of the California gold-fields with the attendant decrease in the purchasing power of the dollar. Strikes were frequent, and often successful, but wages steadily lagged behind a decent living standard. It is recorded that during this period in New York, old Cornelius Vanderbilt was

able to procure skilled labor, such as shipwrights and carpenters, at wages of a dollar and a half a day ; but he was exceptional, a hard-driving, unscrupulous dollar-clutcher, without social conscience or social graces.

Vanderbilt was the first conspicuous example of a new type of the lords of America — a type which was almost exclusively held up as a model for more than half a century, and is still highly honored among us. He was the exact opposite of the scholarly and aristocratic Biddle. He was cunning, ruthless, and temperamentally lawless, strong of body and stubborn of purpose, his life being motivated singly by the fanatical love and fierce grasp of money which seldom reaches full flower save in such Continental peasant stock. Almost wholly illiterate, he had the scorn of his kind for all that makes for a life of the mind and the spirit. These things were not readily convertible to cash and were therefore contemptible. His money-getting activities overstepped even what little there was in those days of a code of business practice ; and that little, as we have seen, was a growth nurtured in an ethical fetor.

Vanderbilt's wealth in the 1850's has been variously estimated at from $10,000,000 to $20,000,000. This was an immense fortune, and it was indeed the "fruit of industry and shrewd enterprise." But the industry and shrewd enterprise were directed largely to a species of commercial blackmail which, in one case at least — that of the Pacific mail steamship companies — verged narrowly upon actual blackmail. Vanderbilt may be said to have been among the first of the great commercial hijackers. He looted the looters.*

As a boy of twelve, Vanderbilt began helping his stolid

* There is no classical English synonym for this word. Hijackers existed at least as far back as the Tudor period in England, when they were called *upright men*, also thieves' slang. The *upright men* employed their seraglios of prostitutes as intelligence officers to bring them word of successful robberies. Then they set upon the robbers and, with physical force and threats of exposure, compelled them to disgorge a large share of the plunder.

and plodding father in the work of ferrying passengers from Staten Island to New York. In his twenties he had saved enough to get hold of a small schooner, suitable for the nearby coasting trade. He obtained more schooners ; but he sold them all before he was thirty, for he saw greater possibilities in steam. He went to work on a steamboat in order to learn the business, while his wife ran a roadside saloon and hotel near New Brunswick on the Philadelphia highway. The parsimony which was salient in his years of wealth must have been strongly manifest in these earlier days ; for by the time he had decided to go into the steamboat business for himself, he had accumulated more than $30,000.

At about this time, or perhaps a little later, Vanderbilt began taking a great interest in a class of New York real estate operations, much favored by John Jacob Astor and others of the old Dutch stock. This was the obtaining of tidewater property which could readily be enclosed with piling and then filled in to make extremely valuable pierheads. A scandalous exposure of the legislative methods of the Common Council in the 1850's disclosed the fact that these grants had been almost invariably secured through corruption. The bribers were men of little standing, and there was nothing to connect Vanderbilt and Astor with these negotiations, excepting the fact that the titles to these parcels of valuable city property eventually turned up in their names. As indicated in the opening paragraphs of this study, the large beneficiaries of invisible government have always been keenly alive to the personal security which lies in the system of operating through agents. In the Civil War, they even hired agents to do their personal fighting for them. They saw to it that the Draft Act carried a provision which permitted the affluent to hire substitute warriors. Vanderbilt himself was too old for soldiering ; but this was not true of his sons. John D. Rockefeller, senior, the Oil King ; J. P. Morgan,

senior, the Money King ; the late Senator Isaac Stevenson of Wisconsin, the Lumber King ; William T. Yerkes, the Traction King — these and many other "kings" and "captains" were lusty young men in full health and vigor, when the news ran like prairie-fire through the North that Sumter had been fired upon, and Lincoln called to the youth of the land for bayonets to defend the Union. These men were certain that the call was not for them. Not a few of them — notably Morgan — were patriotically eager to supply bayonets and similar military equipment for others to use. By false representations, Morgan sold five thousand discarded and virtually worthless army carbines to General Frémont in St. Louis at $22.50 per carbine. He bought them at a Government warehouse in New York at a price of $3.50 each. When Lee marched into Pennsylvania, the North had desperate need of its strong youth, but there were still these who did not hear the call. After Pickett's brave and broken infantry had given up the ghost of the Confederacy on Cemetery Ridge, and the surviving defenders turned to view the wreckage of regiments that strewed that terrible hill, they found the bodies of two brothers in blue, boys under fifteen years of age, lying hand in hand on the ground they had died to hold. They had gone into battle side by side, and in death they were not divided. These children were volunteers, too young to know that it is better to be a live profiteer than a dead hero.

There was nothing of the pioneer in Vanderbilt's career as a shipping magnate. On the contrary, his system was to let other men build up, out of their "enterprise and imagination," a lucrative line of ships ; and then he put his jerry-built vessels into competition with them, until they were forced to buy him off or go into bankruptcy. Usually, they followed the former course, for there was plenty of money — Government money.

Through their "influence" in the Congress, these men were able to enjoy for many years an amazing system of subsidies. First, they received all the postage on the mail they carried. As the rates to Europe were from about twenty-four cents to twenty-nine cents, this tribute alone amounted to about a million dollars a year. That was only the beginning. The Government in reality paid for the building of the ships, on the understanding that they would be available as naval vessels in the event of war. To this end, R. K. Collins, who operated a line from New York to Liverpool, received regular subsidies of about $500,000 a year, and for five years approximately $1,000,000 a year. None of these ships was of the slightest use as a war vessel ; but, through corruption and political pressure, they were regularly accepted by the Navy Department so that these swindlers might obtain the subsidies. So far from being fit to stand the gunfire of an enemy, naval officers declared that these flimsy ships would, if mounted with guns, fall to pieces under the shock of their own first broadsides. Indeed, they were not safe even as merchant vessels. Sea disasters, with great loss of life, were common.

Vanderbilt himself operated a subsidized line to Southampton, Havre, and Bremen, and there were charges in the Congress that he and Collins pretended to be rivals, while they privately pooled the Government tribute and worked shoulder to shoulder to prevent any honest revision of the postal contracts and the naval subsidies.

Whatever may have been the truth about his relations with Collins, the story of Vanderbilt's dealings with the two Pacific mail companies is a matter of public record. These two companies received subsidies aggregating approximately $900,000 a year. When they had the business well in hand, Vanderbilt entered into cut-throat competition against them. The public, of course, always welcomed

these moves because the competition made rates the cheaper. They did not see that the result was certain to be monopoly and extortion.

The Pacific companies decided to buy Vanderbilt off; for he not only threatened their business, but he also threatened to make public some of their unsavory doings. He charged them royally for silence and non-molestation. They paid $400,000 for his competing ship, at least four times what it had cost Vanderbilt to build it with Government money; and they agreed to monthly payments of $40,000, afterward raised to $56,000. Thus, without a dollar's investment at stake, or an ounce of commercial energy employed, Vanderbilt collected more than a half-million dollars a year from these shipping companies. It was pure commercial blackmail.

With Vanderbilt out of the way, the cost of a steerage passage to California jumped from thirty-five dollars to one hundred and fifty dollars per passenger.

As intimated above, no sympathy need be wasted on the men who were thus mulcted of part of their loot by the old highbinder. It seems probable from their records that if, in these years, they had ever made an honest dollar, the novelty would have stunned them. One of these lines, the United States Mail Steamship Company, was in the hands of George Law, Marshall O. Roberts, a notorious lobbyist named Wetmore, and others of that kidney. A court decision declared that Law and Roberts had fraudulently obtained possession of $1,300,000 of stock of the company, and that Law had also pillaged a corporation trust fund. In 1861, Law bribed the Common Council of New York City to grant him street railway franchises on Second and Ninth avenues; and Roberts was one of the swarm of ship-owners who turned over their worthless hulks to the Government for war purposes at profiteer prices. Roberts sold the Government two rotten old ships, one of which sank with a cargo of military supplies on her first voyage. The

other managed to make port, at the cost of jettisoning part of her cargo ; but she was so badly damaged and worthless that she was broken up. Vanderbilt could prey on such men without much fear of a popular uprising in their defense.

Vanderbilt was, by the way, among the first to see the advantage of selling his ships to the war Government before they fell apart. He also presented to his country one old vessel for which he had had no use for some time. This patriotic gesture was influential in gaining him the appointment of purchaser of ships for war purposes. Vanderbilt appointed one Southard as his agent, and no ships were bought by the Government excepting through Southard, who charged brokerage fees of five and even ten percent of the purchase price. A nasty scandal broke out in connection with the expedition of General Banks against New Orleans. One or two of these terribly overloaded transports of Vanderbilt-Southard purchasing were so rotten that the planks could literally be pulled apart with the bare hands. It was also discovered that, contrary to law, there was but one navigating officer on several of these ships. Vanderbilt explained that the Government need not feel uneasy on this account, since that was a risk assumed by the insurers ! Fortunately, the expedition had fair weather.

War profiteering does not, however, properly fall within the range of this discussion. The only way to stop profiteering is to stop war. The most decent of men in wartime is likely to countenance actions and ideas which normally would fill him with horror. Petty thievery becomes unworthy of notice in the face of the wholesale destruction of all moral values, and of human life. This work is concerned with the activities of invisible government in those periods when there is neither the distraction nor the excuse of war.

It was in this Golden Age that the attention of land-

grabbers was shifted from canals to railroads, as better instruments for the looting of the public domain. The Illinois canal was dead, but the Illinois Central Railroad was born. The Federal Government having ceded to the State the sovereignty of the lands, the Legislature offered a broad right of way, with immense land grants in alternate sections on either side, for a company to build a railroad from one end of the State to the other. The idea was that this line would ultimately be extended to Mobile, Ala.

The State was to receive five percent of the gross earnings of operation. Of course, the State never received anything of the kind ; but, for many years, this inactive provision of the contract frequently gained the attention of the sturdy country Legislators, with resultant resolutions for investigation. Railroad lawyers and lobbyists immediately hastened to Springfield and the movement for an inquiry swiftly died. And there was peace and prosperity in the halls of legislation.

A group of Western politicians and promoters retained the services of Abraham Lincoln, a corporation lawyer of exceptional ability, to secure this franchise. He was outgeneraled, or more likely outbid, by George Rantoul of Boston, in the interest of a group of Eastern capitalists. Lincoln thus had an escape similar to that of Jackson. If he had been successful in this promotion, there is every probability that he would have become merely a prosperous corporation lawyer.

Since there is here no room for a detailed history of the great railroad grants and subsidies, it should be made clear that all of these enterprises were based essentially on the lines of the Illinois Central. The purpose of the promoters was not to build a railroad as an end in itself. The building of a railroad was simply the means to the end of getting possession of a vast empire of public lands, and to secure the credit of the national Treasury as a basis for

cynical and lucrative financial jugglery. The Baltimore and Ohio Railroad set up a subsidiary corporation to handle its great real estate holdings, a corporation which only in recent years passed under the control of the Pennsylvania.

These activities attracted comparatively little public attention at the time, probably for the reason that there were so many other dramatic and important affairs. A great flood swept the Mississippi Valley, and there was a cholera epidemic. There was the Mexican War and the gold rush to California ; and, above all, the slavery question.

The slavery issue cut across virtually all of the political, social, and territorial divisions of this period, although — as in the case of Prohibition — there were for many years determined and successful efforts to prevent the question from becoming a political issue. The failure was all the more tragic in that there was little difference of opinion among thoughtful men in any part of the Union. Henry Clay was president of a widespread organization which aimed at the gradual but rapid emancipation of the slaves, with the important sub-plan of recolonizing them in Africa. Thomas H. Benton of Missouri fought steadily for the right of his State to hold to slavery, but he hated and feared the institution. As a true democrat, he believed that he had no right to take a position in the Congress plainly opposed to the wishes of the majority of his constituents. And the first great politically militant Abolitionist was a Kentuckian by birth and an Alabaman by adoption, James G. Birney. He became a candidate for the Presidency on the ticket of the short-lived Liberty Party, which was presently absorbed into that strange political patchwork, the Republican Party.

The fanatical Abolition Societies of the North did much to thwart a sound and enduring solution of this great social problem. These societies served the ultimate solid

interests of the Negro people not much more than the Anti-Saloon League served the cause of temperance. Similarly, they were often milked by swindlers. Emancipation, as carried out, transformed the Negroes from a slave people into a subject people — which they have been ever since. The question of the gain, even morally, is not outside the field of debate.

On moral and economic grounds, the patriotic intelligent, without regard to territorial background, were in favor of Abolition. The problem was what to do with the Negro afterward. The moral aspect was, in those days, much clearer than the economic, but the latter exerted a steady, invisible pressure. A slave represented a capital investment of about $800. When food, clothing, housing, medical attendance, and similar costs were added to interest charges on the investment, coupled with the constant risk of partial or total loss through illness, injury or death, and these factors are considered in connection with the fact that each slave-owning agriculturist must carry throughout the year enough slave labor to meet the peak demands of his plantation, it is fairly plain that the system was full of economic flaws.

Against a background of vivid memories of tariff oppressions at the hands of the Northern powers of invisible government, slavery unfortunately tended to become in the South a symbol of political liberty, proportionately as in the North Abolition became a religious symbol to a fanatical and growing minority. That slavery was a Constitutional institution, protected by all the laws of the Union, made no difference to the Abolitionists. They had no constructive plans, no statesmanlike leadership, no understanding of the political fears or the economic problems of the South. It was a dramatized emotion, centering around a mythical Simon Legree as the whole truth about slavery. New territory was fought over as to whether it was to be "free" or "slave," as if nothing else mattered to

the Union and its people. The outstripping growth of the Northern territory, due to climate, soil, and topography, and to the important fact that immigration could not be successfully invited into the slave country, increased the apprehensions of the South for the safety of their political and economic freedom, quite apart from slavery. This was especially the case when it was generally recognized that climate and soil made the slave system impracticable for the Southern country west of Arkansas and Eastern Texas.

Thus, the "free soil" must inevitably predominate and put the South at the mercy of the Northern tariff-grabbers, subsidy swindlers, and the other powers of invisible government.

Moreover, there was a growing and pronounced social divergence between the sections. The horsemen of the South came to have less and less in common with the desk-sitters of the North. They had widely differing sets of values. Scoville (*Old Merchants of New York City*) relates an incident which is highly illustrative. A New York broker remarked one evening at a dinner that if he only had $5000 in cash in the morning, he could make a large sum. A Georgia planter, visiting the city on business, leaned across the table and inquired what security could be offered for the loan.

"The word of an honest man," was the reply. The planter bowed, and lent the money, which was duly repaid ; for the loan indeed set the broker on the road to becoming a magnate.

Some few years later, agricultural misfortunes and a demoralized cotton market placed the planter in a position where he urgently needed several thousand dollars beyond the sums which could be raised on his negotiable assets. Coming again to New York, he remembered the man whom he had aided to affluence, and confidently approached him for a five-thousand-dollar loan.

"What security can you offer ?" asked the magnate.

"The word of an honest man," quoted the planter, smiling.

"That's no good in Wall Street !" was the brusque reply.

Not uncommonly, planters of this type made provision in their wills for the freeing of their slaves ; but unless at the same time other and ample economic provision was made for them, freedom was a gift of an alarming character to the great majority of the Southern blacks. Almost invariably, they refused offers to return to Africa. The cases of cruel treatment were few and diminishing ; and while the slaves must submit themselves to an unquestioning discipline, yet they gained a security the shelter of which they were timid of deserting. On the whole, they enjoyed a humaneness of treatment and a measure of economic security unknown to many industrial workers in the North.

The rise of the Republican Party occasioned deep concern to the politically thoughtful of the South, and the success of that party in 1860 — although by a striking minority of the popular vote, due to the presence of four tickets in the field — was the realization of the worst of their fears. This political hodge-podge, which succeeded the dead Whigs and put Lincoln into office, was the first successful national party which had no Southern wing, and frankly did not want one. Its principal constituents were the iron interests of Pennsylvania and the wool interests of Ohio and New England, and the loud-voiced fanatics of Abolition, with a large element of Free Soilers, middle-of-the-roaders, and political opportunists.

The men of the South could hardly construe this election as anything but the first step toward the complete destruction of their liberties and institutions. Northerners, without even politically consulting them, were openly planning to strangle them politically and economically. The

Abolitionists would wreck their agricultural production system at a blow, and the manufacturers would put customs collectors in the Southern ports, to see that they paid a ruinous tax to the Northern tariff-grabbers. When both the Abolitionists and the Free Soilers rallied to the new party, and the Morrill tariff bill marched triumphantly through the Congress in 1860–61, there was in the South no longer room for doubt as to the plans of the harpies of the North.

Two of the principal features of Morrill's bill, the iron and the wool schedules, were frankly political in their nature. They were designed to draw to the support of the new Republican Party the ironmasters of Pennsylvania and the wool-growers of Ohio and New England. This was the more damnable for the fact that the general run of manufacturers seem to have been well satisfied with the low schedules of the Tariff of 1857. In ten or eleven years they had gained courage and competence, and they were content with any rates, so long as these were fixed and stable. The "pauper" labor of Europe held no terrors for them. They knew something about pauper labor themselves.

On the floor of the House Morrill himself admitted that his bill "was not asked for, and but coldly welcomed by the manufacturers, who always and justly fear instability."

Congressman A. H. Rice of Massachusetts, a paper manufacturer, deserves honorable mention. In the course of the debate he said :

"The manufacturer asks no additional protection. He has learned, among other things, that the greatest evil, next to ruinous competition from foreign sources, is an excessive protection, which stimulates a like ruinous and irresponsible competition at home."

If our manufacturers had once and forever learned this truth we would have been spared many of our subsequent troubles, including the Panic of 1929. Nor would the

manufacturer himself so often have been compelled to stand helplessly by while ignorant and greedy private bankers have taken over his business and bled it white.

The essentially political nature of this bill could, in the circumstances, hardly have been invisible to the Southern Congressmen. Here was a measure openly designed to bring success to a party which took hardly any pains to conceal its economic and political hostility to the South.

The tariff, more than any other one factor, was a *basic* cause of the Civil War.

It was the logic of freemen that the Southerners in this extremity would turn at last to the undoubted right of secession. This was a right which, up to this time, had never been seriously and honestly questioned by any statesman of note. (It has been made clear that this writer does not consider the Hamilton-Marshall doctrine of the character of the Federal Government to have been either serious or honest.) Even Jackson was careful never to commit himself against the right of secession. He was fighting Nullification, not Secession. At the Jefferson Birthday Dinner, his original toast had been, "The Union : It must be preserved !" At a swiftly whispered suggestion of one of his advisers he amended the opening phrase so that the toast stood : "*Our Federal Union :* It must be preserved !" The amendment clearly shows that Jackson was devoutly proclaiming a political ideal toward which all patriotic effort should be directed, and was not asserting a political principle of the eternal indissolubility of the confederacy. The American federation was not a Delian League to be dominated and exploited by a tyrannical Athens. It was a voluntary association of free States, from which each state had the right of withdrawal.

President James Buchanan, a Pennsylvanian, an honest man, and a good Constitutional lawyer, refused to take any steps toward the coercion of the seceding States, because he held that he had no Constitutional authority. The

laws of the Union were supreme in those States so long as they remained in the Union. When they seceded, as they had a right to do, those laws no longer applied.

Indeed, it is difficult to see how anyone can subscribe to the Declaration of Independence and at the same time question the right of Secession. That document is not a defense of the right to secede. It assumes that all sensible men will take that right for granted. "A decent respect to the opinions of mankind" impelled the signers simply to set forth their sound reasons for exercising their right to secede from the British Empire.

And, in the debate in Congress on the Mexican War, a Whig from Illinois declared that any people, or even a majority of any portion of a people, had a right to "shake off the existing government and form a new one." The name of this Congressman was Abraham Lincoln.

Lincoln never made any explanation of the inconsistency between this attitude toward the governing principles of the Union and his war on the South a few years later. In fact, this writer has never yet stumbled upon a logical and authoritative justification of the conduct of the North, offered as a contemporary excuse for war. It was simpler to assume the inspired rightness of the Hamilton-Marshall doctrine, and to build upon this false foundation a mighty propaganda that the free and sovereign states of the South were rebels in arms against a sacred sovereign.

The plain truth, which is visible through much of the propaganda of those fateful months before the storm broke, was that the tariff wolves of Pennsylvania and New England saw their fat sheep escaping, and they did not intend to suffer such a loss. They were stronger now than they had been in Jackson's day, and there was no Jackson riding to Washington. Thaddeus Stevens, and the other agents of invisible government in the Congress, behaved throughout with a consistency which was absent from Lincoln's course. If the Southern States were rebels

against a sovereign, then they deserved to be treated as reconquered provinces. If they were free States, exercising a right to withdraw from a confederation which had grown to be plainly inimical to their interests, then there was no reason for making war upon them at all. Lincoln tried to have it both ways. On the very day of his death, he was urging that the Southern States be swiftly rehabilitated and re-instated, as full and free members of the Union. Like Wilson, he wanted to make war with the support of tories, and make peace with the support of liberals. It is a feat that has never been accomplished. The man who makes war with the support of tories inevitably finds himself making peace with the support of tigers, as Lincoln and Wilson both learned before they died.

Probably a final judgment of Lincoln will never be delivered until the final Judgment Day. If it is true, as was suggested in the discussion of Jefferson, that it is unfair to judge a man merely by what he has said, the attempt to make an estimate of Lincoln leads into a further dimension : it actually seems unfair to judge him either by what he said or by what he did. No one in our history ever proclaimed more clearly and forcibly the inherent right of secession, yet a few years later he was leading a group of States in one of the bloodiest of wars to prevent another group from exercising that right. He hated slavery, as did all decent men, but he was never an Abolitionist. He supported the Bank of the United States and the tariff, and Henry Clay was his idol, at a time when a great number of honest and well-informed men had long since seen through these evil devices and their manipulators ; yet the essence of Jeffersonian idealism was in his very marrow. With a proven genius for political organization in the preelection years, when he played a most prominent part in holding together the inharmonious elements of the new party, he was never the unchallenged leader of his party in

Washington. Homely, gangling, and uncouth, absurd of raiment and uncertain of voice, he was the most inspiring orator of his day. He was almost without formal education, yet few men have written nobler English.* Sternly determined to fight through to the end of a fearful struggle, to preserve the Union at any cost of blood and treasure, his womanly gentleness and almost unearthly patience and kindliness were wholly untainted by the savage malice which is born of every war.

The thing is impossible, but Lincoln was really a Hamiltonian democrat.

By ignoring the balancing contradictions of his nature and career, it a simple matter to write an adulatory or a damnatory estimate of the Great Emancipator — who did *not* emancipate the slaves. The former has been done countless times. And, in 1876, Alexander Harris (*A Review of the Political Conflict in the United States*) conclusively damned him as an unmitigated disciple of Hamilton, a line which has since been followed by Edgar Lee Masters in a more recent work. Neither is the truth. Lincoln was conspicuously one of those strangely mixed human brothers, discussed in the opening chapter of this study, on behalf of whom Cicero long ago warned us against too positive judgments.

It may be that he is considered our greatest man because he is our greatest mystery. While we know a great deal about his background, that part of his life seems somehow shadowy and unreal. It does not register. There was something breathless about his career. It is all foreground — almost as if he had been a being swiftly and mysteriously evoked from the roots of the people in an hour of blood and violence, to accomplish a single great task ; and, that work done, he as swiftly vanished in an

* There is an interesting error in the Gettysburg Speech. Puristically, the line should read : ". . . far beyond our poor power to add *to* or detract *from*" — and what a terrible line it would be if it did!

hour of blood and violence. This writer has always believed that he would never have been more than mildly surprised if he had read, as a matter of historical fact, that the three tragic queens of Arthurian legend suddenly appeared that night in Ford's Theatre to bear him off in their sombre barge upon the waters of the Potomac, so that he might come again in an hour of greater need.

This picture is not so fantastic as it seems, when one has been privileged — as was this writer in his early youth — to know several persons who had seen and talked with Lincoln. Their attitudes throw some light upon the mystery, for the three this writer has known were three widely differing personalities.

Taking them in something of a reverse order of contact, the first was an old gentleman at the University of Wisconsin — Dean Henry (by that time, Dean Emeritus) of the agricultural school — one of those splendid and unsung Americans who at last lay down their long years of labor with no other reward than the inner satisfaction that comes of public service, well and faithfully done.

"Yes," he said, one winter evening many years ago, "we have a fine heroic statue of Lincoln on the campus, but — " here he lowered his voice and glanced around the comfortable living-room of the Faculty Club (and, alas for professorial dignity, there was almost certainly the suggestion of a wink) — "we wouldn't care to have the man himself as a guest of this club. It would be embarrassing. He was not a college-bred man, you know, not — " an exaggerated grimace of distaste — "not cultured, my boy, not cultured. We would feel about him exactly as did the Brahmins and the pundits of the Eastern States."

He paused for a few moments, and then went on in a low but altogether different tone.

"When I was about eighteen, I rode fifteen miles on horseback one hot night to hear him speak in a barn in

his campaign against Douglas. The place was pretty well filled when I finally got there, and I was terribly afraid that I was too late. But when I edged inside and found a place near the door, Lincoln had not yet arrived, and a local spellbinder was filling in the time. A few minutes later I was aware of a very tall man who had slipped in the door and was standing beside me listening to the speaker. He looked very tired, and from head to foot he was thickly covered with the white dust of the Illinois roads. I had never seen a picture of Lincoln, and did not recognize him.

"Presently he went outside again ; and when he returned and climbed to the platform, the purpose of this little absence was much too apparent — he had buttoned his red-flannel underdrawers to the flap of his trousers. In those first few seconds, when he stood there silent, and probably wondering what the crowd was snickering about, I experienced the first great shock of my life. This was my hero — this grotesque figure with his red drawers sticking out of his pants, one trouser-leg caught up behind on the top of the boot, his face lined with black streaks where the sweat had turned the dust to mud, and his bushy eyebrows sodden with the same stuff — well, it just about broke my heart. And then when he began to speak, his voice cracked, and that was the last straw."

The old gentleman shook his head somberly over the recollection.

"He cleared his throat and began to speak again, and this time his voice didn't crack. It deepened and swelled, and he seemed gradually to grow into a sort of misty giant, out of which came nothing but a voice and a pair of burning eyes. I don't know how long he talked, and I don't know what he said. I doubt if anyone else who was there really knew, or cared very much. It was not a speech — it was a message in the shape of a man, and it filled the whole barn, until everyone was held tense and awed. You could

feel it like a positive physical thing. I tell you, my boy, I rode home that night exalted."

It was an experience which was the inspiration of a lifetime — a lifetime of research, experiment, study, teaching, the influence of which, spreading far beyond the circle of its immediate contacts, has taught many hundreds of thousands of Americans how to make the land a better place to live in.

Then there was an old lady who died about the turn of the century. Like Hamilton, she was an aristocrat by instinct and temperament, while Lincoln was wholly a child of the people if there ever was one. She had first known Lincoln and Douglas, and others whose names afterwards attained prominence, when they were young legislators at Vandalia, before the Capitol was moved to Springfield. It is related of her that she threw young Douglas permanently out of her life because he came one night to escort her to a dance when there was upon his breath a faint aroma of the strong drink of the frontier. With a long, out-thrust chin, a nose like a battle-axe, and a great mass of thick white eyebrow over a pair of wide-set gray eyes, she stalked about the streets in a black fur-trimmed mantle that fell to her ankles, and carried a stout ebony cane with a great gold head — unweariedly kind to the poor Negroes and other unfortunates, and unwaveringly contemptuous of the *nouveau riche.*

This old lady had no illusions about any of the leaders of those ominous days. To appreciate the importance and the subtlety of the one sign she gave of her reverence for Lincoln, it is necessary to keep in mind this fact, as well as the fact of her uncompromisingly aristocratic outlook on life. To her, Douglas was "Douglas," Stanton was "Stanton," Seward was "Seward," *tout court.* But never in all those years between the Civil War and the end of her days, did she speak of the War President without according

his name the title of respect. She always spoke of him as *Mr.* Lincoln, and never without signs of an emotion which seemed to be a sort of tragic worship.

Lastly, in his boyhood, this writer lived for years as neighbor to an old gentleman named Jehu Baker, a very distant relative. Like Lincoln, he had been born in Kentucky and had come into Southern Illinois in his childhood. He was elected to Congress in 1865, and once or twice more in later years. He also served for a long time as Minister to Venezuela, where he wrote much on the flora and fauna of the Orinoco Valley. He was a slender little man of a peppery temper and a kindly if somewhat pompous dignity. But what was most enthralling to an impressionable boy was the patriotism which burned in him like a steady white flame, austere and devouring. Indeed, at one time in his life he seemed deliberately to draw attention to it. As a relaxation he was making a translation of Montesquieu's *Grandeur and Decadence of the Romans,* using blue ink for the text and red ink for the notes. The blue pen, when not in use, rested behind his right ear and the red one behind his left, each — as it was withdrawn and replaced — making a widening blob of color on the silky white hair of his temples. So that when he faced you his proudly poised old head seemed to flaunt the colors of the Republic like a battleflag.

"I see," he said one day, and the casual phrase on his lips was tragedy, for he had long been blind, "I see that Chauncey Depew has been quoted as saying that the wit of Lincoln's stories always excused their vulgarity. Now, my boy, Depew never heard Lincoln's stories. I did. And I know that the wit did *not* always excuse the vulgarity."

Despite his sensitive gentleman's repugnance to pointless smut (generally basis enough for a complete appraisal of character) this defect in Lincoln was to Baker an essentially unimportant surface flaw on the deep sea of his

reverence. Like Dean Henry, he spoke of that strange leader with a feeling that approached what must have been the feeling of Moses as he came to the burning bush.

It is highly significant that none of these three seemed to attach importance to anything that Lincoln had said in their hearing, and not a great deal more to what he had done in his life. What he said and did were of little moment. They were filled with the wonder of what he *was*.

To none of the three was Lincoln a person, or even a personage. He was a Presence — an almost other-worldly blend of the mystic and the simple, the gentle and the indomitable.

It is this that has cenotaphed his name in the hearts of his people.

CHAPTER X

THE SACK OF A NATION

THE period roughly from 1861–63 to 1873–75, in its more important aspects, closely parallels our own experiences in the post-war years of 1921–31, albeit the former was almost more Rabelaisian. The "financial leaders," the "empire-builders," the "makers of America" — in short, the great lords of invisible government — were in complete control of the destinies of the nation. Through their coercion and corruption of National and State governments, they seized upon power to work their unchecked will with these United States, with the wealth and the commerce and the liberties of the people. They invited themselves to help themselves to the public treasury and the public domain. Virtually nothing which was beheld by the eyes of desire was denied the belly of greed.

Under this "leadership" we marched into the devastating Panic of 1873.

Thorough instruction in the history of this epoch might well have been the means of sparing us much of our later tragic history ; but, as has been noticed, the true study of history has never been greatly encouraged among us. Even as this was written, one of President Franklin D. Roosevelt's younger advisers informed the astonished readers of the *New York Times* that the wisdom born of a study of the past could be of little use in solving the problems of today. There will be some further discussion of this new dispensation, along with other matters, in the concluding chapter. We might at least have learned from history to distrust this sort of "leadership."

While these orgiastic years began with the Civil War, the tale of them is not concerned with the selling to the Government of rotten ships and rotten shoes, rottener food and the rottenest clothing, nor with corrupt contracts of all kinds from rail transportation down to the supply of quinine pills, nor with the importation from Europe for sales purpose of all the worn-out and dangerous small-arms which could be procured — rifles without triggers, with honeycombed breeches, and hammers that snapped off at the first discharge.*

The war served merely as a fertilizer for the riper and richer looting of the nation. It provided the excuse — revenue — for the rapid increases in the rates of the Morrill tariff, and also for the huge land grants and subsidies to transcontinental railroad entrepreneurs. These were "war measures," although in the latter case the promoters were hard put to it to give their raids on the Treasury and the public lands the appearance of national defense. No one could be expected to believe that Lee or Stonewall Jackson was somewhere in the American desert on the march to conquer Oregon or California. So the menace of a ruffled England must needs be brought forward. Since, in the case of Union Pacific, for example, the charter called for a minimum of fifty miles of construction each year over a route of more than eleven hundred miles in length, elementary arithmetic suggests that England would have had ample leisure to be ruffled and soothed, time and again, before the railroad could become a military factor in the defense of the Coast States.

Both the tariff and the land grant bills were pressed in the Congress in the pre-war session by Justin Smith Morrill of Vermont, a well-to-do wool-grower. While Morrill's primary concern was naturally the tariff, he seems to have

* Lincoln's first Secretary of War, by pre-nomination bargain, was the boss of the corrupt Republican machine in Pennsylvania, Simon Cameron, without whose support Lincoln might have lost either the nomination or the election.

been of a broad-minded, live-and-let-live sort, who was generally in favor of all special privileges. President Buchanan signed the tariff bill two days before he left office in 1861, but he vetoed the land grant measure. This became a law in the following year.

Morrill entered Congress in the fifties, and remained there, in House and Senate, for decades. Up until almost 1890, he was one of the great gate-towers of the tariff wall. According to contemporaries, he was a personable politician, genial without effusiveness, and he met all men with a natural uninflated dignity. Starting as a boy with no assets but these latent qualities, and the groundwork of an exceptionally fine business mind, he prospered so rapidly in the general store trade in New England that he was able to retire at an unusually early age. It was the ill fate of his country that he turned to sheep-raising as a sort of gentleman farmer's occupation, because he therefore needed but little urging to run for Congress in the interest of higher tariffs on wool.

In the main, it may probably be said of Morrill that he honestly believed in dishonest privilege. He did not, however, believe in crowding the mourners : there was a limit to everything, save the tariff. That could hardly be raised too high. The insatiable greed and insolent lawlessness of the great railroad promoters finally disgusted him, and he was one of a number of Senators who told the truth about these gentry in the debate on the sinking-fund bill in 1878 — much too late to do any practical good in the way of the restitution of stolen goods. About ten years later he again rose to do battle, but this time it was to deliver a lengthy speech in the Senate intended to prove that any reciprocity treaty which lowered tariff duties must be unconstitutional.

Glancing over a history of the tariff legislation during the Civil War, one gains the impression that the duties were raised every few minutes. In point of fact, there

were periods when they were raised every few months. While Morrill's name is attached to the basic measure, much of the drive behind the movement was supplied by Thaddeus Stevens, chairman of the powerful Ways and Means Committee, who will be remembered as the leader of Biddle's forces in the Legislature of Pennsylvania, when a State charter was granted to the discredited Second Bank of the United States. It is extremely unlikely that Stevens received any of the $400,000 which Biddle drew at this time and never accounted for. The bank bonuses for public works would almost certainly have satisfied Stevens ; for, strangely enough, there can be no doubt that the institution of public education was dear to his heart. On the other hand, Alexander H. Hood (*Biographical History of Lancaster County*) is rather harsh with the Pennsylvania leader on the ground that he corrupted the politics of that famous county by purchasing political followers.

"Before he was nominated," declares Hood, "no man here thought of spending large sums of money to get votes. Now, no man, whatever his qualifications, can be nominated for any office, unless he answers all demands made upon him, and forks over a greater amount than anyone else will for the same office. It is a most deplorable state of things, but the fact is not to be denied."

Aside from his natural leaning toward the Pennsylvania manufacturers, both as a lawyer and as a politician, the low-tariff dogma had for Stevens a bitter personal significance, which was closely intertwined with his political hatred of the free trade Democrats. Stevens had erected an iron furnace in some inaccessible spot in the hill country to the south of the State. He then "persuaded" the State Legislature to subsidize the building of a railroad, through his iron furnace, and wandering off in the general direction of the Baltimore and Ohio. This singular, but by no means unique, railway was known as *The Tapeworm,* because it wound about among "uninhabited and uninhabita-

ble mountains." After the State had sunk some $500,000 in this absurdity, the Democrats blocked further expenditures, to the great and readily fathomable wrath of Stevens. Many of our industrial plants have been located and fostered by just such Alice-in-Wonderland methods, and Stevens could hardly have been expected to hold it fair of the Democrats to discriminate against him.*

Moreover, as a national party, the Democrats were stonily opposed to a tariff which would have made Stevens's furnace a paying investment, inasmuch as the pig-iron would seemingly have had to be carried to market by hand. His business therefore failed, and it was a simple exercise in self-deception to prove that the failure was due to low-tariff, anti-subsidy traitors, sitting in the seats of government. Our failures, particularly our dollar failures, are seldom of our own making. Add to this the fact that in the "Buckshot War" in Pennsylvania, the Democrats had prevented Stevens and his crowd from stealing a State election, and his cup of wrath must have been running over.

Firmly seated in the Government, with the immense war powers behind them, Stevens the ironmaster and Morrill the wool-grower, Daniel J. Morrell the ironmaster, Dennis McCarthy the salt-manufacturer, and the redoubtable "Pig-Iron" Kelly — these and others of similar background — made the tariff rates for the benefit of themselves and their friends. They seemed to be actuated by a faith that it was a public duty on the part of government

* During our participation in the World War, about eighty percent of the Government's war contracts for manufactured goods were allocated to the district north of the Schuylkill River and east of a line drawn north through Pittsburgh. Of this eighty percent, about seventy-five percent were placed east of the Hudson, a district almost wholly innocent of raw materials or coal, and transportationally inaccessible save by a railroad bridge at Albany and one other at Poughkeepsie, or by floating freight on barges across New York Harbor. Figuring raw materials to manufactured product roughly at the ratio of about ten to one, some idea is gained of the colossal and costly inefficiency of the arrangement. It was not the fault of the war Government. The latter was forced to adapt itself to a ridiculous manufacturing system, fostered by tariffs and cheap labor. This anomaly was an important factor in the breakdown of our railroads.

to make profitable the manufacture of anything anywhere. If a man saw fit to manufacture orange marmalade in the Adirondacks it was clearly the duty of Congress to make the venture pay. Following this principle, what they did to the national pocketbook for the benefit of all-but-inaccessible pig-iron furnaces merits consideration.

Stevens died in 1867. But his work went marching on. In 1870, before the rate was lowered by two dollars, the tariff on pig-iron was nine dollars a ton. The average wage of the 27,554 men employed in the industry was a little more than a dollar a day, although the cost of living was very high. These wages aggregated $12,400,000 for that year. The capital mis-invested in the business amounted to about $56,100,000, which, at seven percent, would have meant a return of about $3,900,000 for the year. The total of wages and investment return at seven percent would thus have amounted to approximately $16,000,000. Some 2,000,000 tons of pig-iron were produced — which, at the tariff rate of nine dollars per ton, meant a bounty of $18,000,000 paid to the ironmasters out of the pockets of the American consumers. In other words, by declaring a free market the American people could have bought their 2,000,000 tons of pig-iron, could have paid out of the public treasury the full wages of every man in the pig-iron industry, could have paid seven percent on every dollar of capital invested — and they would still have shown a gain of $2,000,000 on the transaction. Moreover, hundreds of steam-engines would have been released for useful employment, approximately $18,000,000 worth of coal and coke would have been saved, and about 4,000,000 tons of ore would have remained in the ground against a day of future need and sound economic exploitation.

Considering this case of the pig-iron of 1870, Sumner suggests that a fair test of the popularity and soundness of the tariff system would be to drop the tariff disguise,

which makes for concealed extortion, and pay these subventions to the tariff beneficiaries out of the tax-funds raised by the National Treasury. It would come to exactly the same thing so far as the mass of consumers is concerned. But it is an experiment which is not likely to be tried so long as the tariff-grabbers preserve their strength. Extortion which is plainly visible sooner or later disappears in the wrath of the people.

By the time of his death, Stevens had played a powerful part in placing the hosts of special privilege on so firm a foundation that their commanding position in the commonwealth has never since been seriously shaken. And it can hardly be said of him, as of Morrill, that he honestly believed in the dishonesty he championed. His background and training would rather indicate that, like Hamilton and Marshall, he knew exactly what he was doing. Historical essayists, sickened by the corruption and tyranny of the Reconstruction Era, have sometimes painted the Pennsylvanian without chiaroscuro ; but he was not all black. His ruthlessness was at times strangely seasoned with benevolence, his corruption with patriotism. The tough armor of self-seeking calculation in which he encased himself was infrequently cracked by eruptions of pure emotionalism. The traditional Southern portrait of Stevens as the Negro-loving fanatic impelled by an Old Testament zeal to punish the South for the sin of slavery, is wholly inaccurate. Stevens was never a fanatic about anything but the power of money ; and, like Lincoln, he hedged on Abolition until it was quite safe politically to embrace that doctrine. One of his first important and successful cases at the bar resulted in the return of a Negro woman from Pennsylvania to her Maryland owner. He believed just as earnestly in free schools as he did in invisible government.

While Stevens was admittedly one of the least admirable of our powerful public men, there was much in the shaping

of his life over which he had no control, and which may partly explain, if it does not partly extenuate, his career. He was a sickly club-footed boy in Vermont, at a time when there was a continent to be won by men of enterprise and physical hardihood. His playmates, filled with these dreams, treated him with the scorn and cruelty of the wolf-pack for the crippled wolf. He saw himself forever shut out of life. His mother, a shrewd as well as devoted woman, began early to impress on him the fact that brains and education could be welded and fashioned into a crutch to carry even a crippled body to success. When he was twelve years old, she took him on a visit to Boston. The boy was wonder-struck with the evidences of the power and opulence of the plutocracy begotten of the Funding Fathers. Here he saw that money was power, and he learned through his mother that money in great sums was not beyond the reach of a club-footed child, if he combined brains with education. She probably gave him both, certainly the latter. If he ever acquired a clear body of ethics from anyone, he sloughed the greater part of it early in life, and rose the faster for being lightened of the burden.

After Stevens was admitted to practice in Pennsylvania, he came swiftly to the front as a lawyer and a politician — the latter owing to his clear-headed political judgment in being one of the first to mount the Anti-Masonic bandwagon, when that mass-emotion ran through the land. He was never more than moderately successful as a money-getter. But he worked hard for money and served without stint the lords of invisible government. His rewards were affluence and power.

In appearance, Stevens was somewhere near a compromise between Daniel Webster and William Jennings Bryan. He was not so handsome as either, but there was in his face a suggestion of something bone-deep in character which was missing in the other two. When he died he

left all he had to the founding of an orphan asylum, where white and black children alike might find shelter and education.

Although he did not live to know it, Stevens had seen the death of free trade in the United States. The agricultural South was for years impoverished, dispirited and disfranchised, and the agricultural West was too patriotically proud of its part in having "saved the Union" to perceive that it had, by that act, slipped the garrote around its own neck. As the War of 1812, and the few years following, furnished the excuse for the adoption of the protective system as an economic policy, the Civil War and Reconstruction Era so firmly embedded the iniquity in the national economy, so liberally supplied its beneficiaries with money for political organization and corruption, that it has since seemed a hopeless political enterprise to dig the cancer out. When we are next considering a "holy war" for some holy purpose, it would be well for us if we could remember a few of those benefits which have accrued to us as the result of past "holy wars."

There has never been a free trade party since the ironmasters and wool-growers and manufacturers of Lincoln's day wrote into the law of the land the amount of the extortion which each American must pay before he shall be allowed to feed and clothe and house his family. Honest Democrats, in 1893, attempted a mild tariff reform, but the bill which emerged from the Congress was a brazen betrayal which the party leader denounced as a child of "party perfidy." There was another gesture in the same direction in President Wilson's first administration, the Underwood Bill. Since that time it has been apparently the chief concern of the leaders of the traditional free trade party to assure the men who finance political campaigns that they, as much as the Republicans, are in favor of extortionate tariffs. In 1930, when even the Hoover administration had come to see that the condition in the

country was serious, the Congress was at last called in special session to do something, especially for the ruined farmers. The result was the incredible Smoot-Hawley bill, further raising tariff rates. This was a folly of such magnitude and high visibility that even the economists, who seldom agree about anything, were practically a unit in condemning it. Few people had any money to spend, and this law was passed apparently on the theory that if the channels of commerce were so effectually dammed that no one could buy or sell anything, our troubles would soon be over.

Yet when the new Congress was assembled in the spring of 1933, with an overwhelming majority of Democrats, Washington correspondents reported that among the chief fears of the Congressmen was the dread that they would be forced to "tamper with the tariff." It was authoritatively announced that President Roosevelt intended asking the Congress for authority to deal with the historic iniquity within certain limits, but he did not do it — at least not at the special session. There was, however, one hopeful sign. President Roosevelt placed in key positions in his Cabinet two men who had been traditional enemies of extortion — Cordell Hull in the State department, and Daniel C. Roper in the Commerce department.

With these few observations on its later history the tariff may now be permitted to pass out of consideration, and attention be directed to the building of the Pacific railroads.

It will be recalled that John Taylor of Caroline, paraphrasing an earlier Teacher, warned his countrymen that a thing that is wrong in principle cannot be right in application. The Pacific railroads form an excellent illustration of the soundness of this dogma. Laid out in lawlessness, these rich pastures of invisible government grew the richer as they were watered with corruption. Their charters were granted by a Federal Government dominated

by men of the Stevens-Morrill passion for wealth-giving privilege, and these charters were illegal. The Federal Government has no Constitutional power to charter corporations.

When one considers how few of our troubles have been due to the Constitution, and how many and serious have been the disasters which have followed departures from it, one gains a new respect for the authors of that document. Bryce, in his *American Commonwealth*, seemed to think but lightly of it, and said in effect that a people who could survive a cataclysm like the Civil War could make any kind of constitution work. It is a curiously twisted point of view, to which British students of the American republic seem peculiarly liable. One of the more recent examples is a study of John Marshall by an eminent Scots jurist. His entire work rests on an unquestioning acceptance of the truth of the hoary lie that the Federal usurpation engineered by Hamilton and Marshall, and since strengthened by many similar servants of invisible government, was the exercise of a great and indispensable statesmanship, and he sees no gleam of the truth : that it was simply a treasonable conspiracy against the commonwealth. Under the guise of "interpreting" the Constitution — which merely means the insolent writing into it of matter which is not there — these "statesmen" and their successors have betrayed, and all but slain, that venerable instrument of government. As noticed before, this steady sapping of the foundation of our Union, especially by the Supreme Court, has been among the chief factors in a long history of public pillage and private suffering, social disturbance and civil war — a persistent and active menace to liberty. The fact is that our Constitution, like democracy and Christianity, the economic ideas of Adam Smith, and the social ideals of John Bright, might prove to be a splendid thing if it were ever given a trial. This trial it has never had. The ink of it was scarcely dry

before the lords of invisible government began to inject the poison of privilege and tyranny into what thousands of patriots had hoped would be the strong charter of a free confederacy. This process has steadily continued, and at somewhere about the halfway point in our history we come upon the Pacific railroad conspiracy.

There is not space within the limits of this work to deal with all of these railroad enterprises in detail. In the aggregate, the six proposed transcontinental lines were given some 80,000,000 acres of public land, and more than $140,000,000 in subsidies — from the Federal Government alone. This takes no account of the myriad minor subsidies conferred by state and county and municipal governments. The Northern Pacific obtained a land grant from the Federal Government equal to the total area of New England. As only one of the by-products of the corrupt amendatory act of 1864, the Union Pacific seized coal lands in Wyoming equal in extent and potential richness to the anthracite fields of Pennsylvania.

The Union Pacific may properly be taken as an exhibit for discussion, not only because of the comparative mildness of corruption, but also for the fact that the financial manipulations in the history of this railroad have served as a rough model for similar pillagings down to the present time. Those picturesque bandits, Collis P. Huntington and Leland Stanford, of the Central and the Southern Pacific, offer more colorful material. The famous "Colton letters" — in which Huntington, among other interesting discussions of current railroad history in the making, complained that competitive corruption in Washington was running the cost of bribery up to disgusting figures — are, on their literary and social merits alone, worth a chapter by themselves.

The Union Pacific, as has been noticed, was chartered as a defensive measure to bind the Union together from east to west. It was a great imperial gesture in the midst

of a war so terrible as to make calm judgment on the part of the people impossible. The romance of the idea was appealing : they had no time to consider that the cost was appalling.

Under the charter, this company was to build and equip a single-track railroad from the Missouri River— at Omaha — to a point on the navigable reaches of the Sacramento — a distance of more than eleven hundred miles. It was to receive from the Government a right of way two hundred feet wide and ten square miles of public land in alternate sections for every mile of road constructed. On the completion and acceptance of each section of twenty miles across the plains, the Government would pay the company $16,000 per mile in six-percent Government bonds, these to be regarded as a loan and first mortgage lien on the railroad. For one hundred and fifty miles of mountain construction the company was to receive $32,000 per mile, and for another hundred and fifty miles, $48,000 per mile. The Government was to be paid five percent of the net earnings, these funds to be applied on the debt, and also to retain for the same purpose all the charges for mail, troop transportation, and so forth.

Surveys were made. Otherwise, but little actual work was done under this original act. Things began to move in 1864, and movement was swiftly accelerated with the formation of the *Crédit Mobilier of America.* The idea, or at least the name, appears to have been brought from France by Charles Francis Train, who afterward died mad and impoverished. There were to have been two companies, the *Crédit Mobilier* and the *Crédit Foncier,* the former to manipulate construction contracts, and the latter to exploit the vast real-estate possibilities. The *Crédit Foncier* unobtrusively died away ; but the *Crédit Mobilier* flourished, to the great profit of the promoters and the scandal of the nation.

Oakes Ames, a very wealthy Massachusetts capitalist,

and a member of Congress, was the guiding genius of this rape of the Treasury and the public lands. He was, appositely, a shovel manufacturer. His brother, Oliver Ames, became president of the *Crédit Mobilier* which was controlled by him and six others, among them being Thomas C. Durant, vice-president of the Union Pacific, and John B. Alley, another Massachusetts Congressman. The stockholders of this construction company voted to place absolute power in the hands of a "railroad bureau," consisting of these seven men. Then the stockholders of the Union Pacific turned over to the same seven complete voting control of the railroad. Thus these chosen ones were in a position to make construction contracts with themselves, an excellent situation in which to avoid financial risk and to insure financial returns.

Durant, as vice-president of the railroad, signed a contract with one H. M. Hoxey to build two hundred and forty-six miles of road west from Omaha to the one-hundredth meridian — *at $50,000 a mile !* Hoxey had hardly sufficient financial standing to contract for the construction of a chicken coop. H. C. Crane, Durant's "confidential man," acted as attorney for Hoxey, and was further agreed that this figurehead should make over the contract to Durant and others — in other words, to the *Crédit Mobilier.* Since the chief engineer of the railroad, Peter A. Dey, had already reported that the construction cost of this section could not possibly be stretched beyond $30,000 per mile, it was necessary to do something with the engineering estimates. Dey was instructed by Durant to indicate embankments where none were necessary, and to do all things possible to make the contract look reasonable. Dey apparently made a few half-hearted efforts along these lines, but his professional honesty was at last too much for him. He resigned, and was succeeded by General Granville M. Dodge, who knew no such squeamishness.

It was now decided that the original charter needed amending. Durant, on the eve of his departure for Washington, was given leave to draw on what was called a "suspense fund." He drew more than $435,000, for which he was never able to give a satisfactory accounting. The result of these aureate activities was the amendatory act of 1864. By the new dispensation, the railroad received half of the transportation and other charges against the Government, and it was permitted to issue first-mortgage bonds in equal amount to the Government bonds it received — *the latter to step back into the position of second mortgage.* The railroad company also received twenty square miles of land to the mile of track, instead of ten, and the belt over which it had timber and stone rights "for construction purposes" was widened to fifty miles on each side of the right of way. Almost most important of all, the company was given the rights to coal and iron deposits which had been withheld in the original grant. The land formally and more or less legally ceded to these "empire-builders" amounted to about 13,000,000 acres.

With these great gifts in hand and the Treasury of the United States behind them, these financiers were enabled to embark on a golden career of construction finance. They issued, all told, their own first-mortgage bonds to the amount of over $27,000,000 — in addition to the equal amount of Government gold bonds received — seven percent land-grant bonds to the amount of $10,400,000, so-called "income bonds" of $9,355,000, bearing ten percent, and nearly $37,000,000 of par value capital stock. All of the bond issues, excepting the first-mortgage securities and including part of these, and all of the capital stock were virtually bonuses for which no value whatever was received by the railroad.

Under the organic law the railroad company could not go into active operation until the capital stock subscriptions had been actually paid into the company's treasury

in cash. It seems probable that the sum of $218,000 was really collected. A few later investigators held that as much as $400,000 in cash had been received, while others maintained that not a dollar in cash payment for stock ever reached the treasury. (Huntington and Stanford and their allies raised only $140,000 in cash. This was for preliminary bribery and office expenses.)

Thus it will be seen that at no time in this burglarious raid on the public purse and the public domain were the promoters assuming any actual financial risk. They were required to finance the first twenty miles of road-building, the cost of which was more than covered by the land patents and the Government subventions alone, these latter being immediately paid over on the completion of each twenty-mile section. In one instance, the Wilson Committee of the House afterward reported, a Government commissioner had accepted a bribe of $25,000 to report a section completed and equipped when it was not so in fact.

The book cost to the *Crédit Mobilier* of the construction covered by the Hoxey contract was $7,806,183.33, this taking no account of the wide-open possibilities of "split-ups" and "drawbacks" from sub-contractors, to the private gain of the Seven. The *Crédit Mobilier* charged the Union Pacific $12,974,416.24, a profit to the construction corporation of $5,168,232.91.

Durant then made a similar contract with a man named Boomer to continue the work westward from the one-hundredth meridian, at about $20,000 per mile. This contract was never ratified, but the construction went on. The *Crédit Mobilier* stepped in and collected $1,104,000 on fifty-eight miles of new road "for the construction of which it had never had even the semblance of a contract." Just how the original confusion over this contract arose in the ranks of the insiders the records do not make clear. They were doubtless trying to cheat each other at every opportunity. The greater part of the proof of the cor-

ruption of the Congress came to light as the result of a quarrel between Oakes Ames and H. S. McComb, one of the Seven. There is no honor among thieves.

At about this time that great marauder, Jay Gould, and his partner, James Fisk, Jr., backed by Russell Sage, began sniping at the *Crédit Mobilier* in trumpery lawsuits. It sickened these voracious ones to be shut out of such a feast. Probably for this reason, and because the thing was too big in potentialities to be frittered away in the grabbing of odd millions, Durant solemnly restrained the *Crédit Mobilier* from further collections on the Boomer construction ; and an offer from James M. S. Williams, another of the insiders, was likewise virtuously rejected. In the meantime, Oakes Ames had figured out a contract which was to be the bonanza lode.

In August, 1867, Ames offered to contract for the building of six hundred and sixty-seven miles west from the one-hundredth meridian. The railroad was to pay the construction cost on a rising scale, beginning at $42,000 per mile and rising to $92,000 per mile — *this to include the one hundred and thirty-eight miles already constructed !*

From every standpoint it was a good contract for the Seven, to whom, of course, Ames made it over. Therefore he had but little difficulty in obtaining the signature of his brother Oliver, now president of the Union Pacific. The agreement was ratified by the Seven, including Oliver Ames and Durant, for the railroad, and taken over by the Seven for the *Crédit Mobilier.* As Williams afterward explained to the Wilson Committee, they were working "for themselves and among themselves," the railroad company and the *Crédit Mobilier* being practically one concern — a little group of happy and energetic buccaneers with a single aim.

Less than *two months* after the signing of this contract, the *Crédit Mobilier* paid to its stockholders a "dividend"

of $2,244,000, of first-mortgage bonds and a like amount of stock, amounting to a dividend of one hundred and twenty percent on the outstanding stock of the *Crédit Mobilier*. "By embracing this 138 miles in it," the Wilson Committee reported, "these trustees derived a 'profit,' if such a term is admissible in such a connection," which enabled them to shovel out this huge dividend before a single workman had lifted one of Oakes Ames's shovels on the Oakes Ames contract work. "This was mainly, if not entirely, derived from the excess of the contract price over what the 138 miles had cost," the committee declared.

This single dividend more than covered the largest amount of money which was ever at one time tied up in construction work.

The book cost to the *Crédit Mobilier* on the Ames contract was $27,285,141.99. The 667 miles cost the Union Pacific $57,140,102.74, a profit to the former of $29,854,960.75. (Through a curious and glaring error, this last figure is given as $29,854,141.99 in the Congressional Record, and so cited in many books.)

To complete the final 125 miles of construction, a contract was let to another figurehead of the Hoxey type, one J. W. Davis, on the same terms as those laid down in the Ames contract. This cost the Union Pacific $23,431,768.10, the profit to the *Crédit Mobilier* being $7,802,084.48.

To sum up, the total book cost of construction to the *Crédit Mobilier* was $50,720,958.94. The road was turned over to the Union Pacific at a total cost of $93,546,287.28. Subtracting the one from the other, and adding the $1,104,000 brazenly stolen in connection with the famous fifty-eight miles, the total profits of the *Crédit Mobilier* reach the impressive sum of $43,925,328.34.

When it is considered that this Company never assumed a dollar of real risk, that the Government grants and subventions to the railroad corporation covered the cost of

construction again and again, that its managers had no knowledge of railroad-building and did not need any, the project was a not unhappy venture for either the insiders or the stockholders.

In connection with the latter the Wilson Committee appeared to be shocked and mystified by the discovery that any method of addition and subtraction left a gap of about $15,000,000 between the dividends paid and the profits that vanished. The Committee was driven to wonder if "this difference escaped under the cover of some fog into the pockets of these managers." It was probably a good guess. Such fogs are not uncommon phenomena in financial circles when there is to be a large distribution of loot.

Obviously, fraudulent operations of such Homeric dimensions could not have gone unchallenged but for the general participation of the privileged, and a corruption of the Federal Government without parallel since Hamilton's day. The list of stockholders in the *Crédit Mobilier* might almost have been a list of Who's Who in politics, finance, commerce, and industry throughout the Northern States. There were bankers such as Levi P. Morton and Cornelius N. Bliss, industrialists such as George M. Pullman and Cyrus H. McCormick, great merchants such as A. A. Low, and scores of others. Morton was afterward elected Vice-president of the United States by the Republicans, and Bliss was for many years the official money collector of that party.

On the Government side the beneficiaries of the generosity of these promoters included both Vice-presidents under General Grant — Schuyler Colfax and Henry Wilson. James A. Garfield, afterward elected President, and James G. Blaine, who was nominated for the Presidency, were also on the list, along with other Senators and Congressmen. But, as in the investigation of the Second Bank of the United States, this phase of the inquiry had to be aban-

doned because too many on both sides of the two Houses were involved. Oakes Ames looked after the Republicans, while James Brooks of New York, one of the five directors of the Union Pacific who were appointed by the President to safeguard the interests of the people and of the Government, took care of the Democratic side.

The Poland Committee of the House, which was investigating this aspect of the *Crédit Mobilier's* operations and was plainly determined to use whitewash wherever possible, was hard put to it to avoid charging corruption against scores of the country's most prominent men. In this pass James M. S. Williams came to their aid on the witness-stand with a neat formula, *i.e.*, that these men thought that this was entirely their own business and that "they had nothing to do with the Government." The Committee eagerly seized upon this quaint standard of culpability and was thus enabled to acquit practically everyone concerned. Public opinion demanded some sort of action, and the Committee finally recommended the expulsion of Oakes Ames and James Brooks from the House. This action was, of course, never taken. The two corruptionists were officially, but mildly, censured. Both died within a few weeks thereafter. The expulsion from the Senate of James W. Patterson of New Hampshire was also urged, but as his term expired five days later, nothing was done.

Schuyler Colfax stupidly refused to avail himself of the immunity waters offered by the Committee. In the face of overwhelming evidence he continued to deny his connection with the pillage until he was publicly discredited and his career was ruined. Garfield also entered a formal denial, but the case against him was not strongly pressed. He was Speaker of the House. The famous "Mulligan Letters" ended all doubt as to Blaine's connection with railroad corruption. He enjoys the distinction of being the only known and proven crook to be nominated for the Pres-

idency. The elections of Coolidge and Hoover, in the face of their silent endorsement of the corruption of Harding's Administration, is not the most discouraging chapter in our history.

In the case of Ames the most adhesive whitewash could not be made to stick. He was convicted on his own testimony and on his letters to McComb. But the Committee did its best for him. The report declares :

"When he said that he did not suppose that the Union Pacific Company would ask or need further legislation, he stated what he believed to be true. [How the Committee knew this it does not say.] But he feared the interests of the road might suffer by adverse legislation, and what he desired to accomplish was to enlist friends and strength in Congress who would resist any encroachment upon or interference with the rights and privileges already secured, and to that end wished to create in them an interest identical with his own. This purpose is clearly avowed in his letters to McComb, copied in the evidence. He says he intends to place the stock 'where it will do the most good to us.' And again, 'We want more friends in this Congress . . . there is no difficulty in getting men to look after their own property.' "

The æsthetic reader will appreciate the beauty of this distinction. Ames was not seeking to corrupt the Congress : he was simply trying to keep it corrupt. He was merely attempting to create among the leaders of that body "an interest identical with his own," and with that of the other highbinders of the *Crédit Mobilier*. No one was so fatuous as to suggest that Members of Congress took oaths and drew their pay on the theory that their interests were identical with those of their constituents.

There is something of a latter-day parallel in the "preferred lists" of Morgan and Company, which became public in the Senate investigation of 1933 — excepting that in this case the beneficiaries were not at the time actually in

governmental office. The Morgan firm merely extended generous favors to all but a few of the most influential men in both parties, including both of the National Chairmen. The purpose was identical with that of Ames — to make friends for the Morgan house, or to do small acts of kindness for proved friends. There was little that was crude and nothing that was corrupt about it. A public man, who would have virtuously disdained a check for $17,000 from Morgan, saw no reason for not accepting an offer of two thousand shares of stock for $20,000, which could be sold two minutes later for $37,000. The foresight of these distributors of largesse was admirable, designed to cover all eventualities. Thus a former Secretary of the Treasury, William G. McAdoo, elected Senator from California in 1932, and a future Secretary of the Treasury, William H. Woodin, were both on the list. Among the few of the conspicuous absent were Alfred E. Smith and Franklin D. Roosevelt, both ancient enemies of Morgan's pet Power Trust.

The Wilson Committee, which investigated the relations between the *Crédit Mobilier* and the Union Pacific, found little that was positively criminal and could therefore safely take a somewhat less lenient view than the Poland investigators. Summing up, this report found :

"That the moneys borrowed by the corporation, under a power given them only to meet the necessities of the construction and equipment of the road, have been distributed in dividends among the corporators ; that the stock was issued not to men who paid for it at par in money, but who paid for it at not more than thirty cents on the dollar in road-making * ; that of the government directors, some have neglected their duties, and others have been interested in the transactions by which the provisions of the organic law have been evaded ; that at least one of the

* The Government bonds and the company's first-mortgage bonds covered the entire cost of construction, but some millions of the latter were "distributed as dividends."

Commissioners appointed by the President has been directly bribed to betray his trust by the gift of $25,000; that the chief engineer of the road was largely interested in the contracts for construction; and that there has been an attempt to exercise the reserved power of Congress by inducing influential members of Congress to become interested in the profits of the transaction. . . These companies, on their own showing, are making large profits, and are abundantly able to pay and indemnify the Government against future loss, and pay liberal dividends besides on the par value of the stock, which . . . cost its original holders not more than thirty cents on the dollar in road-making, which road-making itself showed enormous profits — profits realized through the notorious *Crédit Mobilier of America.* These net earnings . . . are over sixteen percent on the nominal stock of the Union Pacific Company, or in fact about fifty percent for the year 1875 on the real cost of the stock . . . the provision of the charter requiring the stock to be paid for in money has been grossly violated; . . . nearly the whole of the stock that has been issued represents no value to the railroad company; or, to state it differently, was issued without any consideration whatever."

The Committee concluded with the explanation that it might have made further progress in its researches had it not been for a dearth of witnesses. John J. Cisco, treasurer of the company, was too ill to testify. Governor John A. Dix, who as president of the Union Pacific had sold that company $50,000 of its own stock, was too busy governing New York. Granville M. Dodge was much wanted for questioning as to what had become of $125,000 turned over to him to be expended in connection with legislation on the Government's transportation bills. There was also curiosity about an item of $24,500 which had found its way to his own bank-account by a tortuous path, a path studded with sundry erasures in the books.

Neither telegrams nor sergeants-at-arms could produce General Dodge.

The reference in this report to the ability of the company to pay the Government, and to indemnify it against future loss, calls for elucidation — which exercise, however, is likely to leave the reader more mystified than ever. It will be recalled that the Government lent the railroad company more than $27,000,000 in six percent bonds, the interest payable semi-annually by the Government. Then, under the corrupt amendatory act of 1864, these bonds became a second mortgage, and an equal amount of company bonds took the first-mortgage position. Half of the transportation charges, which were steadily decreasing, amounted to only a fraction of the annual interest paid out by the Government, and the "net earnings" could always be so juggled that there was no percentage for the Federal Treasury.

The Government reasonably argued that in view of the huge dividends constantly ladled out, the road should pay enough to meet the interest charges on the Government bonds and that it should establish a sinking fund for the retirement of these bonds in 1895–1900. The company declared that under its charter it was not required to pay a cent of interest or principal before 1895, and was not required to set up any fund to meet payment at that time. Although this contention offended every canon of common sense and business usage, the Supreme Court of the United States solemnly sustained the railroad.

The purpose of the pillagers was perfectly clear. By voting themselves every available nickel in dividends and bonuses, and by providing no sinking fund for either the first- or the second-mortgage bonds, they could loot the company to the last cent, and then the Government would be compelled to buy in the company's first-mortgage bonds in order to protect its second-mortgage debt.

The original promoters were mistaken when they

thought that they had squeezed this great project dry by the time the Panic of 1873 swept down upon the country. One of the first to see that they were in error was Jay Gould, perhaps the shrewdest, trickiest, and boldest of the major bandits of those days. He could see farther, jump faster, and bribe higher than old Cornelius Vanderbilt, and in that gallery it would be impossible to give him a loftier pedestal.

Under the control of Jay Gould the Union Pacific ownership offered to provide one of the most remarkable sinking funds in the history of finance. It was seriously proposed that the transportation and earnings payment be set up in the Treasury of the United States to the credit of the railroad, as a sinking fund bearing six percent interest, *to be compounded semi-annually!* Meanwhile, the railroad was to continue not paying even simple interest on the Government loan; and the Government could not, of course, mark up interest on the interest accumulating on its debt. By the year 1900 the Union Pacific would almost have owned the United States.

In the meantime, however, there had been a national revulsion of feeling about these and kindred affairs, following the Panic of 1873. The Fifteenth Amendment, making voters overnight of ex-slaves, was generally seen to have been premature. The Granger movement, a protest of the Western farmers against exorbitant tariffs and railroad rates, was swiftly growing. The theft of the Presidency by the Republican Party in 1876 had, together with these other factors, disgusted a large and decent section of the party following. A Liberal Republican movement began to agitate for tariff reform and better standards of public honesty. This pressure made itself felt in Washington.

The sinking fund scheme was thus not brought forward in a happy hour. Senator Morrill and other representatives of agricultural and commercial and industrial inter-

ests took the field against the railroad bandits. Two of these three interests had behind them a long history of tariff extortions, of the thefts of patents from inventors, of the corruption of customs collectors, of the shameless adulteration of products — even to dangerous drugs. But now many of their spokesmen in the Congress rallied to the protection of the National Treasury, and for this they may be given credit.

"Is it possible," demanded Morrill, who seemed to consider the proposal even more of an insult to his mathematics than to his morality, "is it possible that there is no legal remedy for a policy of 'stripping and waste' in the open and defiant grasp of dividends derived from the United States Treasury to the amount of $3,423,731 annually? Cannot Congress say that dividends must cease until they can be paid without an increase of liabilities? [The Supreme Court held that Congress could not.]

"With that method of borrowing and payment, fat dividends might be paid by the railroads without any other business, although it would be simpler and far more advantageous to the United States to provide that for every dollar paid by the railroad companies they should have a credit of two dollars.

"By the method of computation proposed the compensation for Government services to the amount of say $600,000 in 1876 would entitle the railroads in the year 1900 to . . . more than four times that amount, or to $2,479,350.92, being $1,879,350.92 in excess of what they would have been entitled to under the present law. This is not wiping out their debts with a sponge, but it is . . . entirely a new and rare gift to the companies. . . It is a new way of paying debts, by which a molehill overtops a mountain."

This raid was unsuccessful, and the debate in the Senate during that winter and spring (1877–78) brought out considerable useful information with respect to other railroad

matters, notably the outrageously discriminating freight and passenger rates.

Among the neglected assets which Gould perceived in the wide ranges of the Union Pacific was the possibility of buying in feeder lines — such as the Kansas Pacific, which had received Federal subsidies and large land grants in Kansas and Colorado — and then selling them to the Union Pacific at his own price. This method was afterward employed by the Morgan cohorts in the sack of the New York, New Haven and Hartford Railroad.

Moreover, there were still millions of acres of tax-free lands, and an open door for the theft of many millions more. The lands of the railroad company were tax-free for the reason that, while the corporation held the grant from the Government, it could not take actual title to any parcel until a small surveying fee had been paid. This fee was never paid until there was a buyer for the land, so the railroad never paid land-tax. Millions of acres to which these transcontinental lines had not the shadow of a title were "sold" by them, or were raped of lumber and minerals. In the case of the Union Pacific about seven million acres of public lands were stolen outright.

Through unchecked rate-fixing power the farmers, who were rapidly filling up the new country, were entirely at the mercy of a handful of men who controlled the four railroads running west from the great rivers. Theoretically — there was merely a law to that effect — any earnings in excess of ten percent were to be applied to rate reduction. No one paid any attention to this provision. It would have been a simple bookkeeping problem and, from the standpoint of the great bandits, a simple necessity to prove that there was no excess. Gould, for example, needed all of the money he could get into the treasury of the Union Pacific in order to finance the payment of the fantastic prices for the feeder-lines he sold to that company.

Of the plight of the farmers, Senator J. B. Chaffee of Colorado declared on the floor of the Senate :

"They have to depend upon the will of less than half-a-dozen men, who control the means of transporting their crops to market, as to the prices they are to receive or whether they can be transported at all without loss to the producer. The uncertainty attendant upon transportation is one of the causes of the great depression in the West."

It was estimated by the Pacific Railroad Commission that in his first manipulation of the Union Pacific, Gould must have made a "profit" of about $40,000,000. In 1884 the company was on the verge of bankruptcy. Gould abandoned control for a time to come back later on. In the intervening period Charles Francis Adams attracted some attention as president. The salient characteristic of the Adams family — honesty — had not atrophied, and he was seemingly about the only man of notable ability connected with railroads in these years who was not smeared with the trail of the serpent. Also, in his *Railroads: Their Origin and Problems,* he closely approached the heart of understanding of the railroad situation, *i.e.,* that these highways are not a legitimate field for private enterprise and private profit, such as even quasi-public institutions like hotels and grist-mills are. The ownership and operation of these highways is a primary and purely political function of the sovereign government, which may not be wisely or safely delegated to private corporations. Too great a portion of sovereign power must inevitably accompany the delegation of so vital a sovereign function.

In 1895, after much wriggling and anguish, and several ridiculous schemes for refunding, the Union Pacific was forced to pay nearly three fourths of its total debt to the Government, including the accumulated interest. "Forced" is the correct word, although no legal proceedings were involved, and the Government accepted the

compromise without a great deal of argument. As Professor Nelson Trottman (*History of the Union Pacific*) points out, the agricultural country was in serious political revolt, headed by the Populist Party. The Eastern freebooters of great wealth could not risk so large an attempt to defraud the Treasury as might have brought these much wronged and enraged men of the West into control of the Government in 1896.

This is one of the few cases in which the Government recovered funds advanced to the railroads. As previously mentioned, the Union Pacific has been chosen as a peg on which to hang an outline of the corrupt promotion methods of those days, partly for the reason that it was not one of the worst cases but really one of the best. How much has been taken out of the Northern Pacific, for example, it is impossible even to estimate. When Jay Cooke — the Robert Morris of the Civil War who obtained the original grant — failed in 1873, what he was able to save to his personal ownership in the way of Duluth real estate was sufficient to form the basis of a comfortable fortune. James J. Hill and his three Canadian confederates divided probably $400,000,000 among them in stock-jobbing alone. One of this quartet afterward became Lord Strathcona, a young lady of whose family recently married into the Royal Family of Great Britain. The looting which centered around the Milwaukee and Minnesota in the reign of Russell Sage attained unusual depths of skullduggery. And so it went in every case. A Land Office Commissioner in 1886 remarked upon the fact that in every report of every legislative body or responsible Government officer dealing with the land grants, the word "fraud" had been conspicuously employed.

At nearly every important step of the way in this stealing of an empire, the thieves were sustained by the Supreme Court. When Senator Chaffee declared that the powers of invisible government had successfully "defied

the three co-ordinate branches of the government," he was mistaken. They did not defy : they owned them. This was especially true of the inferior Federal judges before whom applications for injunctions and mandamuses, and also "test cases," could be swiftly and successfully brought.

Now the Pacific Mail Steamship Company appeared once more under a new management — Russell Sage, Henry Clews, and others. This corporation wanted another subsidy of $500,000 a year for ten years. It got the money, but at a cost of nearly $1,000,000 in corruption. The Ways and Means Committee of the House reluctantly looked into the matter in 1873. It learned that $565,000 had been paid to "lobbyists," but what had happened to the "remaining $335,000 remains in doubt on the evidence." Sage denied that he was president of the company at the moment of the bribery or the granting of the subsidy. Chronologically, it was a close-run thing. If he was not president at the moment, he must have been just outside the door of that office, waiting for the bribery to be finished before he rushed in.

As previously observed, Gould's ability to plunder Cornelius Vanderbilt stamped him as a plunderer of a high order. On one occasion, when Gould was "legalizing" his looting of Vanderbilt through the fraudulent issue of Erie Railroad stock, he even succeeded in outbribing the sturdy old corruptionist in the latter's pet bailiwick — the New York State Legislature. This body was for decades a sort of pocket-piece of the Vanderbilts. It is related that Roscoe Conkling, on being asked a question about Chauncey Depew, replied :

"Chauncey Depew ? Oh, you mean the man that Vanderbilt sends to Albany every winter to say 'haw' and 'gee' to his cattle up there."

Like Vanderbilt, Gould made a specialty of plundering the plunderers, but there was a difference which caused

him to be exceptionally and extensively damned. When he hoisted the black flag, the prominent burglars were established and highly respected members of society, with fortunes dating back as far as fifteen minutes or fifteen years. The day of his spectacular Gold Corner, which created dismay and disaster in the ranks of the chosen, is still called Black Friday, not without shudders by a certain type of chronicler.

Gould's idea was quite simple and was not nearly so unscrupulous as many of his others — nor so unscrupulous as many of the practices of the principal sufferers. The circulating gold supply of the country was only about $15,000,000. With the loot of the Erie, Gould proposed to corner this gold — no great task, *if* he could be certain that the $95,000,000 in the Federal Treasury would not be released to break his corner. To make this certain, he brought in President Grant's brother-in-law, A. R. Corbin, who had something of a reputation as an unsavory lobbyist. As the time to squeeze the corner approached, Corbin even arranged that Grant should publicly attend a theater in New York with Gould and his partner Jim Fisk — this to show Wall Street that Gould had the administration in his pocket.

When it was discovered that Gould had quietly cornered the gold supply, which was vital to foreign exchange transactions, there was a scene in Wall Street which resembled those days of wrath on which the Old Testament prophets dwelt so lovingly. There was panic and failure and suicide. The pressure became so strong that Grant was forced to allow the Treasury to release gold. Gould received advance notice of the Government's decision, probably from Corbin. He kept this information entirely to himself, and quietly began selling gold through new agencies. He betrayed his partner and his brokers, and so emerged with about $11,000,000 of gain.

The attitude toward labor in these days may perhaps

be best illuminated by reference to a little debate in the Senate on an amendment to the railroad grant bill of 1862. This amendment was the idea of Senator Samuel C. Pomeroy of Kansas, who had long been prominent in "good works," a fact which helps to explain the always active dislike of the poor for "organized charity." Pomeroy had taken a leading part in the famine-relief work in Kansas, following the great drought of 1861. He was a native of Massachusetts, where his most conspicuous post had been that of organizer and money-raiser of the New England Immigrant Aid Company. It will be remembered that Emerson and other decent men expressed themselves with some force on the fact that many immigrants were "aided" to virtual slavery in the textile mills and on the railroad construction work of the Boston and Albany. Pomeroy now proposed to extend this "aid" clear across the continent. His amendment provided that the railroad companies be allowed to bring in cheap labor from Europe, herd these animals into camps, and force them to work under the policing of detachments of the United States Army — simply the slavery of peonage. Senator Henry M. Rice of Minnesota declared this to be the "most monstrous proposition I ever heard of. It is a measure to enslave white men and to enforce that slavery at the point of a bayonet. *I begin to believe what I have heard heretofore in the South, that the object of some of these gentlemen was merely to transfer slavery from the South to the North.*"

Four Presidents sat in the White House during this period, and none but the fourth — Rutherford B. Hayes — exerted any considerable influence on the course of these events. Lincoln, his attention wholly concentrated on the war, paid no attention to the Congress so long as it gave him practically unlimited war-making powers. Other matters he was quite willing to leave to the party chiefs in the legislative branch. There is nothing in his background to make it probable that, in any case, Lincoln

would have been a great party leader in the parliamentary sense. On the contrary, the presumption may be said to be against it, because he was without prior experience in elective executive office, as were such failures as Hoover, Harding, and Taft. He was assassinated in the hour that the battle to decide this question was making head. Johnson spent the whole of his term fighting unsuccessfully for the Reconstruction policies of Lincoln against the plunderers and ghouls in the high places. As a President, General Grant was a zero, but his nothingness became an active vice by reason of his reverence for any man who could accumulate a million dollars. This weakness was not vicious in itself. There was a wistful sincerity about it, born of his own inability to make a dollar in civilian life. As in Hoover's administration, a man of millions must be right, but there was much more excuse for Grant than for the Great Engineer. The soldier was generally ignorant of financial affairs, and utterly incapable of learning. A man of wealth was to him a sort of super-Merlin. Hoover's experience as a mining-company promoter must have taught him how these revered millions are usually accumulated.

Hayes, in many ways, had even a harder row to hoe than Lincoln. He came to the Presidency in 1876, through a corrupt and bloodless *coup d'état,* after Samuel J. Tilden, the Democrat, had been constitutionally elected. By a cumbersome and unconstitutional process the electoral vote of Louisiana, which had been cast for Tilden, was shifted over to the Republican column, giving Hayes a majority of one vote.

His election tainted with trickery, and the wounds of the Civil War not even stitched, much less healed, Hayes had barely taken office when he was faced with a labor revolt in the North which almost amounted to another Civil War. This upheaval was the direct result of the plunderings of the *Crédit Mobilier,* of Gould and Vanderbilt and

their kind, and particularly of the wide conspiracies of the Standard Oil. Rockefeller and his partners, in collusion with the masters of the great railroad systems of the East — the New York Central, the Erie, the Pennsylvania, and others — devised a system of rebates on their own shipments of oil, and "drawbacks" on the shipments of competitors, which presently not only crushed competition, but left the railroads in a condition of pernicious anæmia. In one instance, this tribute enabled the Rockefeller interests to show a "profit" of ten cents a barrel over all production and transportation costs at the port of New York, *before* they had made a sale !

Naturally, among the first to suffer from this method of highway administration were the railroad employees. One of their statements of grievances pointed out that these companies were, by the rebate and drawback system, annually bled of tens of millions of dollars, part of which might be used to pay railway workers more than seventy-five cents a day. In at least one instance even this meager wage was held up for months because the directors needed the pay-roll funds to pay dividends to themselves and rebates to the Rockefellers.

The employees of the Pennsylvania at last appealed publicly to the stockholders of that organization.

"The influence of the road has been used to destroy the business of its best customers, the oil producers, for the purpose of building up individual interests," the memorial accurately declared. "The [oil] traffic has almost disappeared from the Pennsylvania, and in place of $7,000,000 revenue this year, although shipments are in excess of last year, your road will receive scarcely half that amount. This alone would have enabled your company to pay us enough for a living."

The stockholders were also given much information as to special fast-freight forwarding companies, rolling-stock companies, and similar devices of the controlling swindlers

to divert railroad earnings from the railroad treasury to their own pockets. Nothing resulted from such protests. The employees had not yet learned that stockholders have nothing to do with managing a great corporation, and that their primary, if not sole, concern is dividends.

For a year or more there were plenty of these and other precursors of an impending upheaval. Seemingly by way of a palliative, in the early summer of 1877, President Garrett of the Baltimore and Ohio, a prominent member of a family which would not have needed to yield the award of turpitude even to the early Vanderbilts, announced a further ten percent reduction of wages. The heads of other great systems let it be known than they planned similar action.

The employees of the Baltimore and Ohio at Martinsburg, W. Va., walked out. In a few hours the line was paralyzed from the Mississippi to the sea. In a few days the strike had spread to every great railroad system of the Northern States from the Hudson to the Mississippi, and beyond. And in a few more hours it was no longer a strike but a rebellion of serious dimensions and character.

The Eastern seaboard was cut off from the meat and grain supplies of the West, while cattle and poultry died in the railroad yards of the Mississippi Valley. Food prices bounded upward. Merchants refused contracts and bankers refused loans. Commerce came to a standstill.

The Governors of ten great States issued proclamations calling on the strikers to disperse. The proclamations were ignored ; and the State troops generally refused to make serious attempts to enforce them. Instead, they often fraternized with and gave moral encouragement to the strikers. Constitutional government had practically collapsed overnight.

The Governors of Pennsylvania, Illinois, West Virginia, and Maryland appealed to the President for Federal troops to put down a "domestic insurrection, which the State

could not suppress." Units of the regular army were swiftly concentrated at the most dangerous points. Against them barricades rose in the streets of Baltimore, where General W. S. Hancock took command, and there was serious street-fighting to follow. Streets battles, with casualty lists of dead and wounded, occurred in Reading, Scranton, Buffalo, Chicago, and even as far west as San Francisco. In Pittsburgh the strikers and their sympathizers, of whom there were many, routed the soldiery, and the city saw something of the horrors of revolution. Railroad property, grain elevators, hotels, and even private residences were looted and destroyed.

President Garrett, and President Scott of the Pennsylvania, another conspicuous corruptionist, appealed frantically to the protection of the laws and the Government of the United States — after they and their kind had spent a considerable portion of their days in breaking and defying those laws and corrupting and flouting the Government. They thought that this kind of "anarchy" was wrong, and they did not like it at all.

The power of the National Government prevailed to restore order, but for two weeks successful rebellion had held sway. The lesson was promptly forgotten ; and, according to Carroll D. Wright, former Commissioner of Labor (*The Battles of Labor*), the railroads took advantage of the riots in Pittsburgh to burn up a quantity of worthless rolling stock and other worn-out equipment, for which they afterward collected $22,000,000 in damages from the State Treasury of Pennsylvania — with, of course, the bribery invariably incident to such raids. An investigating committee of the Legislature named three members as guilty, and adduced evidence pointing to many more. Oddly enough, a few of these bribe-takers were actually sentenced to prison. The authors of the corruption, as usual, continued unmolested.

Thus Hayes at the outset found himself in the position

of Chief Magistrate of a national government which must depend on the military to enforce its authority in the North and the South and the West. Perhaps what saved him and the nation was his almost total lack of strong political convictions. If he had any political creed at all it was that his task was to re-establish a Union of civil states which might work out their problems in peace. He was a politician, self-contained and clear-headed, with a gift of detachment which seems to have given him a consistently objective viewpoint. He never mistook a strong back-eddy for the main current of political movement. Therefore he never found himself stranded on any of the dangerous sand-bars through which he was compelled to steer his course. A strong sense of public duty, coupled with a clear understanding of the problems he must attempt to solve, prompted him to make an early public announcement that under no circumstances would he be a candidate for re-election. This stroke won him a confidence which was not the least of the factors in his success.

A really great leader of the people, a man of deep and furious convictions, might have done much better in this crisis, and would probably have done much worse. Hayes at least passed on to his successor a simulacrum of a united nation of Sovereign States, albeit it was still a seething and angry one. Indeed, it may be strongly argued that Hayes really salved the Union out of the wreckage that was strewn about the bier of Lincoln. In this connection it is worth while to look into Professor H. J. Eckenrode's well-balanced biography of Hayes.

This chapter, long as it is, is perforce only an effort to arrive at an historical understanding of the bulk of corruption in this period by selection of illustration. Three volumes the size of this one would not suffice to cover in detail the all-prevailing iniquity. But enough has been explained and indicated to make plain that the "great empire-builders" and "pioneers of industry" were no better

than the racketeers of today. They were great burglars, and they were pioneers only in the military sense that a bank-robber is a pioneer when he drives a tunnel into a bank-vault. It is merely historically not a fact that they rose "by vision" and "hard work" and "enterprise" and thus proved that America is the land of opportunity. It is true that old Vanderbilt began life as a hard-working boy, but so did many another crook. And common sense should tell any grade-school child that no one in 1850 — or in 1900, for that matter — ever amassed from ten to twenty millions of dollars at the age of forty or thereabouts by fooling around in a row-boat, or by any other form of "work." With very few exceptions indeed, the considerable American fortunes were begotten in corruption and fraud, and worse ; and not a few are tainted with moral if not legal treason. Their founders gave aid and comfort to the enemy in the Civil War by neglecting no opportunity to weaken the Treasury and the fighting strength of North so long as they might thus promote their own dishonest gains.

And the truth that gags is that these men, and the inheritors of their social morality, have all but succeeded in making of our country a land of opportunity only for those who, through ignorance or cynicism, are willing to serve their evil ends. As the humorist, Bill Nye, observed many years ago, to become rich and powerful in the United States requires that the aspirant learn in his early youth how to "trade good counsels for crooked consols."

There is another important aspect of the propaganda which has built up this tradition. Currently it has been taking the form of persistent sneering at the Congress. In this connection it may be noted that virtually all of the important matter in this chapter, and at least three-fourths of all the solid information in this work, have been drawn from reports and debates of the Congress, and from dependent sources. Corrupt though many of its members

have often been, the Congress of the United States is still our advance line against the powers of invisible government. Within the past forty years the House has so stultified itself by its own rules that it has been merely a rubber stamp for the majority leaders, who in turn have too often been the willing servants of the subversive forces. A single member, or even a considerable group of honest and patriotic men in the House, who may know that fraud and corruption are rampant, not only cannot do anything about it but they cannot even say anything about it. Not one of them may be permitted to speak on the floor, and he cannot speak off the floor because he has not the proofs which only an examination of witnesses under oath may bring out. He merely makes himself ridiculous, or leaves himself defenseless against a libel action.

For this reason the House has lost nearly all of the authority and prestige it once enjoyed. But the Senate still upholds the right of each member to debate and discuss. Consequently a little group of honest men in the Senate can create such a public pother that they can force an investigation of a public wrong.

It is too much to believe that this long and untiring campaign in the press to heap ridicule and contempt on the Senate is entirely the result of a few thousand independent editorial decisions. For one thing, the vast majority of well-informed editors know that it would be impossible in this country to assemble by any other method ninety-six men with so high a general average of intelligence, patriotism, and knowledge of the problems of government. But the campaign of contumely goes on. They are urged to adjourn, to gag themselves with the House rules, to "cut out the talk and get down to business."

These urgings are also often to be found in the news columns in the form of interviews with industrial and financial "leaders" who have made an international pageant of the fact that they do not know how to attend to

their own businesses. The head of a great merchandising house in Chicago was interviewed at the pier in New York on his return from abroad in 1932. He had been "for a year and a half big-game hunting in Central India." He did not conceal from the reporters the fact that he was genuinely indignant with the Congress to learn that those incompetents had done practically nothing to rebuild his business for him while he was chasing tigers. This bit of childish babble was solemnly displayed as news of value.

It should be clear from the evidence adduced in this chapter alone that it is one of the chief and most important functions of the Congress to talk. Only through talk are the public evils which beset us exposed to the public view. This is the sole reason that "the Senate talks too much." And whenever we feel inclined to fall in with the Will Rogers, or vaudeville, school of political science, it would be well for us to remember these facts.

In the records of the Congress is written the real history of the United States. And that is about the only place that it is written.

CHAPTER XI

"INEVITABLE ECONOMIC TENDENCY"

"THIS country is fast becoming filled with gigantic corporations, wielding and controlling immense aggregations of money and thereby commanding great influence and power," the Poland Committee warned the people of the nation in 1873. "It is notorious in many state legislatures that these influences are often controlling, so that in effect they become the ruling power of the State. . . The belief is far too general that all men can be ruled with money, and that the use of such means to carry public measures is legitimate and proper. . . In a free government like ours, we cannot expect the people will long respect the laws if they lose respect for the law-makers."

Thus was officially proclaimed the swelling of a great "crime wave" — a wave that has shown few signs of subsidence in three generations. These "gigantic corporations," which corrupted the government of a nation and poisoned the ethics of the young, were devised by the railroad barons and the lords of the tariff. They were called the Trusts. Criminal in themselves, they have bred big and little criminals by the thousand.

Several of the greatest of these synthetic Titans were put together by J. P. Morgan, a favored lieutenant of the great powers of invisible government. Morgan was not, of course, the inventor. The Standard Oil Company, for example, had been a lusty and lawless combination long before Morgan neared the center of the stage. And monopolies are as old and as evil as the sins of men. All that

has been said about them in our days, and more, was thundered across the floor of the Commons in Queen Elizabeth's time ; and they were ancient institutions in the Old World centuries before Columbus was born. But Morgan has become a sort of latter-day symbol of this form of iniquity ; for, owing in large part to the adulation heaped upon him by journalists whom it was his delight to kick and spit upon, there has never been any general understanding that he was, for the most part, merely an able upper-class hired man of the real powers of darkness. "Morgan the Magnificent" one of them called him. Much of his irritable contempt for these sycophant minstrels probably flowed from this fact which he knew quite well, and which they did not, *i.e.*, that all of his tinsel magnificence could be ground into powder overnight between the mighty millstones of the Rockefeller and the Vanderbilt fortunes.

Once in the early days of Morgan's "magnificence," he seems for a time to have believed what he read of himself ; and, like a trusted house-dog illicitly regarding the family roast, he cast greedy eyes on a small but important railroad link in Ohio. E. H. Harriman, at that time concocting a huge railroad feast for the Standard Oil magnates, of which this Ohio tidbit was to be a concomitant, walked into the kitchen and looked at him. Whereupon Morgan quickly dropped his forepaws from the table and scuttled silently away.

Before touching upon certain aspects of Morgan's career in the field of monopoly, it might be wise to sketch in something of the general background, but it should be borne in mind that this background was concurrently the handiwork of such men as Morgan.

"Give a man power over my subsistence," said Hamilton, "and he has power over the whole of my moral nature." This is as nearly a solid truth as such generalizations usually are, and it is definitely true of the great mass of men.

Few of us have a vocation for martyrdom. In the years between 1870 and 1900, it became increasingly evident that a few-score men in the United States were steadily gaining power over the subsistence of millions of their countrymen. They made railroad rates to favor their chosen interests, and to destroy the rival and the rebel. They dictated prices and wages, and publicly immolated manufacturers, business men, farmers, and wage-earners who defied their power or attempted to interfere with their operations.

Those who really agreed to turn over their property at the sword-point of invisible government were sometimes treated with a sort of contemptuous liberality. It was cheaper to buy them than to crush them. Thus, they saved something of their accumulations at the price of their self-respect. Those who fought to the end for the right to be free and independent Americans found themselves at the close of the struggle with nothing but their self-respect ; and this they swiftly lost. They were to be seen, prematurely bowed and grayed, walking the streets of the little cities, in shabby trousers that did not match their coats, wearing a dazed, glazed look, as if they could not understand what had happened to the fires in their factories and to the little armies of their workmen. Like the ghosts of a slain social order, they crept about in the twilight, to vanish at last through the doors of their mortgaged homes. They were pointed out to strangers as the folk of London-town might have pointed to the heads of rebels on Temple Bar.

"There's old man Watson," they said. "Used to be a big man in this town — owned the Watson Nail Works. Broke now — tried to buck the Trust."

Small industrial units, particularly those which were ably and intelligently operated, were bankrupted or bought up and closed, or their owners were subsidized to shut down. A steel mill in St. Louis stood cold and silent

for years, while its owners collected $400,000 annually from the overlords of the steel pool.

The grass did not grow in the streets of the great cities, as President Hoover recently feared would be the result of interference with such machinations, but it grew in much more deadly and socially terrifying places — in the little walks that led to the little homes in the little cities and towns. Comparatively self-contained economic communities of the smaller sort disintegrated under the pressure of criminal price-cutting, to make way for the creation of great and costly and inefficient specialized industrial units. Efficiency of operation and expert business knowledge were crushed under the sheer weight of corrupt money, and the Government of the United States held towel and sponge for the conquering giant in this unequal strife.

The sequential growth of "control over the whole moral nature" of hundreds of thousands of Americans became manifest in a certain pride of shame. Awed by these huge conspiracies, many of us took refuge in a pretense of admiration. Thus was born a new cult of devil-worship — the adoration of Bigness. It was as if one slave were to be proud that his chains were bigger than another's, or a prisoner to boast that his was the deepest of dungeons. The white feather was worn like a proud cockade. There set in a widespread disintegration of character, a flaccidity of the soul, which has grown and grown until today it is the one great evil which must be overcome before there can be for us any enduring life of the spirit in the land of our fathers.

In this wise came the death of courageous individualism and the birth of "rugged individualism." The man who knew his business succumbed to the man who did not know his business but who had the power to steal it. No matter how wasteful and costly the process, nor how ignorant the new owner, the latter had nothing to fear. All

of this vast loss and leakage could be mopped up and added to the selling cost of the product, for the competition of the able and the energetic had been eliminated. The competitor at home was bought out or stamped out. The competitor from abroad was barred by the tariff. And millions of the cowed and the misled applauded as they paid the ruinous tribute.

Propaganda, of course, played an effective part. As indicated above, there were not lacking those of the *intelligentsia,* in university and editorial chairs, to be the troubadours of these "master builders," who put together out of the lives and works of better men nothing but ugly engines of iniquity. These were exalted and their enemies vilified. Emerson, at the first sign of this assault on liberty, turned on these trucklers the fullness of his wrath. "The scholar who defends monopoly is a traitor," he declared. Emerson raged in vain. The great patriot-editor, Joseph Pulitzer, was painted as a bomb-bearing anarchist, glaring of eye and scraggy of beard, nurtured in a foreign soil. William Randolph Hearst, implacable and unwearied foe of *The Plunderbund,* was a snake coiled in the Grand Old Flag. William Graham Sumner, whose rumbling thunders could be silenced only by the smother of death, would have been kicked out of Yale but for the fear, on the part of those who poised the boot, that the kick would be felt around the world. And the Grangers, Greenbackers, and Populists of the West were traitors *en masse.*

The shibboleth invented in those days as a cloak for our shameful national retreat from battle with the powers of tyranny and extortion has since become highly fashionable. These great criminal conspiracies are described as an "inevitable economic tendency," to which the smaller business men were forced to yield their livelihood, and the children of the poor their lives. This is as much the fact as that, in this same period, cashiers of Missouri and Kansas

banks were yielding to an evitable economic tendency when they opened their cash-vaults to the guns of the James Boys and the Dalton Gang. In the same sense, Al Capone's murderous rise to be executive manager for the invisible bootleg lords of Chicago was inevitable, and the poor little Lindbergh baby yielded to an economic tendency. In all of these lawless activities, the trifling differences are in method and extent, and in the degree of preassured immunity. They have a single common denominator of crime — extortion.

That this is a statement of a literal truth a brief survey of the operations of the Coal Trust in the anthracite fields of Pennsylvania abundantly makes clear. J. P. Morgan was the chief of staff who gathered together half a dozen groups of railroad guerillas and drilled them into this single invincible army of pillagers. There has been little of Morgan in these pages since notice was taken of his celebrated swindle in worse than worthless army carbines at the outbreak of the Civil War. This was a minor exercise of youth, a nestling trial of beak and claw, but it was also a sound promise of maturity. And herein he would seem to have honored his father, Junius Morgan, a partner in Peabody and Company, fiscal agents of the Union Government in London during the war. They were denounced as traitors on the floor of the Congress, on the charge that they had deliberately sabotaged the credit of the nation they were paid to maintain, in order to promote their private gains and to curry favor with the pro-South Government of Great Britain.

The first J. P. Morgan was now a toughened buccaneer, alert and aggressive, who had profited much by study of the methods of the masters — Biddle and Vanderbilt and Rockefeller and Gould. These methods he was skilled to adapt to changing conditions, but he brought forward nothing new, not even to the field of financial banditry. The system which he usually followed was safe and simple,

and the Senate investigation of 1933 revealed that he had handed this system on to his son — along with the adjuration in the preamble of his will to remember that we are saved only by the Blood of Our Blessed Redeemer. Posthumous hypocrisy is sufficiently rare to make it probable that Morgan really drew a sort of real religion from the antinomian Gnostics of the second century, who "believed on Him" and were thus automatically saved by His Sacrifice. Morals were of no consequence. Thus Morgan's vigorous concern to exalt the glory of the Episcopal Church could march hand-in-hand with the blackest of his social sins.

One of his masters, the elder John D. Rockefeller, was, like Gideon of old, much more cautious in his dealings with the Almighty. He would not stake everything on the wild hazard of Vicarious Atonement. God was rather Head of a great merchandising stock company, dealing in the good things of this and the next world, One to repay shrewd but not reckless investment. Therefore, in the matter of remembering the contribution plate, Rockefeller once assured a Bible class that "according as you put something in, the greater shall be your dividends of salvation."

The situation which inspired Morgan's Coal Trust — a self-proclaimed Christian concern which suffered many little children to go unto Him — was quite simple. In the Pennsylvania mountains there was a practically inexhaustible supply of coal. At tidewater, within a few score miles, there was a population of many millions of people, who, in the winter months especially, must have supplies of this coal or they would literally perish. They could therefore be forced to pay to the last available penny, if one could control the supply and thus the market price. Connecting the coal roads with the consumers were six railroads. There was no other channel through which coal could either leave the mines or reach the market. If these six railroads could

be welded into an iron combination, they could absolutely decree the price at which coal would be sold to them at the mines, and sold by them at the market.

This was the plan which Morgan carried through to fulfillment. The six roads were brought into agreement, and at least three of them — the Lehigh Valley, the Erie, and the Reading — owning more than four fifths of the coal fields were combined in a voting trust, the control of which was placed in Morgan's hands. Whether or no the original Coal Trust idea was Morgan's is not clear. It is likely that, among others, a contributor was George F. Baer, general counsel of the Reading, a friend and admirer, who saw from the first the real powers behind the Morgan façade.

The Pennsylvania Constitution of 1873 forbade the common carriers of that State to own coal lands or to mine coal. This Constitutional safeguard was treated with contempt. Morgan and his confederates had nothing to fear from the government of Pennsylvania which, down to the present day, has far outranked any community of the Union in corruption of State and municipal government. A Congressional Committee in 1888 found that all of these railroads had proceeded as if there had been no such law, and that the Reading in particular had "acquired some of its most valuable mines since that date" (1873).

In many cases, these lands were bought by the insiders as individuals, and then sold to the railroad at advances of from ten to twenty times the purchasing price. These carriers were even more dishonestly built and financed than was the Union Pacific, and their outstanding first-mortgage bonds alone represented a face-value of two or three times the cost of building and equipment. To this mass of paper was added the extravagant cost of the coal mines. Freight rates and the price of coal were arranged to pay interest and dividends on this great mountain of watered securities. The Congressional Committee declared that between 1873 and 1886 at least $200,000,000 had been extorted from the

Eastern consumers of anthracite, beyond all possible calculation of honest cost and reasonable profit.

If any governmental agency in Washington or in Pennsylvania had been a true servant of the people in these fourteen or fifteen years, this tale of oppression and extortion would never have been written into the official records of the land. Had private operators been given the protection of the law, had the railroads been stopped from making one rate for their own coal and another for the independents, the coal-railroad combine could never have carried this dropsical mass of stocks and bonds in open competition. An investigating committee of the New York State Legislature in 1878 pointed out that as the competent independents were not thus burdened they could "afford to sell coal at a much less price than the railroad coal-producing companies, and would do so if they could get transportation from the mines to the market." In defiance of all laws against conspiracy and extortion, and in the face of Pennsylvania's specific constitutional provision against common carriers entering into the coal business in any form, the railroads offered the independent his choice of selling them his coal at their own figure, or keeping it in the mine or at the pit-head. The Trust simply refused to give him cars, or provided cars at such freight-rates that he could not ship at a profit.

Many of the independents were thus forced into contracts to mine and sell coal only in quantities and at prices dictated by the Trust. Rebels were compelled to sell out, or to shut down entirely. The New York committee found that by this system "the combination can limit the supply, and therefore create such a demand and price as they may deem advisable." Coal could be delivered in New York, counting all charges, at little more than three dollars a ton. Without any increase in costs to justify the act, the combine had at this time artificially advanced the price more than a dollar a ton, and it was still rising — having added more

than $30,000,000 to the annual coal bill of New York City alone. As this was written, there were cheerful warnings that the price of coal in New York for the winter of 1933–34 would be about eighteen dollars per ton.

Labor conditions in the coal fields were such that the Congressional Committee of 1888 found the workers "little better than political as well as industrial slaves . . . there was a forcible reminder to an intelligent man of the state of affairs in Russia." Miners were cheated by false weights and measures, and by deductions for "dirt" and "slate." They lived in company houses "at the will and pleasure" of the owners. In some cases these houses were rented actually by the day, a company agent coming around every evening to collect fifteen cents or so, and to give notice of immediate eviction — *that night* — if the occupant had shown signs of being a "trouble-maker." Company stores were, of course, the invariable rule, and with all of these forces operating to that end, the miner was always in debt to the company. Politically and economically, the worker was a serf, and his plane of living and toiling was considerably lower than that of the Southern slave, in whose cause thousands of such white workers had died on the battlefield.

The lords of this Inevitable Economic Tendency were not blind to the fact that these conditions must at last breed strikes and riots. They took steps accordingly. The Pennsylvania Legislature, having ignored the Constitutional demand for control of the coal highways, now obsequiously abdicated another sovereign function — the police power. A statute was passed, giving, in the language of the Congressional Report, "every railroad, every colliery, iron furnace and rolling mill . . . liberty to employ as many policemen as it sees fit," clothed with every power of public police, paid, and armed with repeating rifles and revolvers, by these corporations. "They report to nobody but the heads of the corporations employing them, from whom they

get their orders, which they usually execute with a mailed fist." Judges might be said to have been bought up like bushels of coal.

Morgan and his masters were not opposed to strikes, but these must be of their own choice in time and place. This same Committee of 1888 reported that the officers of the Reading Railroad had "deliberately brought about the strikes" of that year, both among the miners and among the railway employees. Their motives were mixed — "partly to have an excuse to put up the price of coal, partly to get rid of supporting surplus laborers for a time, and partly to crush labor organizations among their employees." Among these were thousands of boys from six years of age upward, who had never seen a schoolhouse, and who worked from daylight until dark in a foul moral and physical atmosphere. In one community of 22,000 inhabitants, there were 3000 children thus employed.

"The carrier drives out both operator and owner," concluded these investigators, "lowers wages by the importation of Huns and Italians [thus protecting the American worker and his standard of living], restricts the output, and advances the price of coal to the public. It is enabled to commit such wrongs upon individuals and the public by virtue of exercising absolute control of a public highway."

Or, as William Dean Howells put it, the railroads were highways, and the owners highwaymen.

While on the subject of the public, which cannot exist without winter fires in the Northeastern states of the Union, it should be noted that the coke-burners entered into a combine by which they raised the price of coke from ninety-five cents to a dollar and a half a ton. The stove manufacturers organized their trust in 1872, and the match manufacturers at about the same time. The prices of all these commodities always advanced as the cold weather approached. The match manufacturers ran into so many difficulties with recalcitrant brothers at home and abroad

that they had to enlist the active aid of the Government of the United States, in two directions, before they could make of their monopoly a working fact. A tariff of thirty-five percent effectually killed off foreign competition, but did not dispose of the independents at home. Then the collection of the internal revenue tax was so manipulated that the independents outside of the Trust paid ten percent more in taxes than the members of the criminal combine. This soon brought the former to their senses.

In 1875, President Gowen of the Reading Railroad defended the Coal Trust before a committee of the Congress, on the ground that everything purchased for the railroads and the mines was bought at an artificial price fixed by a combine in some other business. He enumerated iron beams, boiler flues, nails, tacks, screws, wrenches, hinges, rope, fire-brick, gas-pipe, terracotta drainage-pipe, window-glass, blasting-powder, white-lead, galvanized iron, belting, and hose. He might have gone on to add practically everything bought by any American consumer, even to the wrapping paper in which the housewife's price-fixed food was bundled.

There was nothing inevitable about any of this extortion. It was fostered by state and national governments, bribed or intimidated by the united powers of invisible government. Active aid was given through the enforcement of the exorbitant tariff rates, and the corrupt paralysis of the machinery of justice rendered passive service. It was simply a triumph of the power of money in the hands of ignorant greed and sole-leather conscience.

Public clamor against these abuses, backed by increasing signs of agrarian and industrial unrest, finally brought applications of the American panacea for all ills and outrages — more laws. The common law against monopoly and extortion, coupled with the number of existing State legislative acts, would have served amply to quell these powers, if these remedies had been resolutely applied. In the case of

Pennsylvania, we have seen why such enforcement was impossible. So there was a demand, not for vigorous and honest enforcement, but for the magic of new laws. This pathetic and perennial faith in the curative effect of the mere enactment of statutes is today one of the worst of our social weaknesses, a red-herring across the trail to just government, and a scoffing for the cynical and the corrupt alike.

In 1887, the Congress passed the Interstate Commerce Act, setting up a commission empowered to make reasonable rates for common carriers, and to prevent rate discrimination against either places or shippers. And in 1890 came the Sherman Anti-Trust Law, designed to break up all combinations in restraint of trade, and to prevent future trust agreements under extremely severe penalties.

The Interstate Commerce Commission began to function with some force ; and as soon as the lords of invisible government awoke to this fact, they invoked the power of the Supreme Court to break the power of the Commission. The Supreme Court responded promptly and did its work thoroughly. In less than half-a-dozen decisions it stripped the Commission of every vestige of real authority with which, under the Constitution, it had been endowed by the act of Congress and the signature of the President. Delineation of this systematic undermining of vested authority involves technical explanations of too great length for a step-by-step analysis here. A lucid exposition may be found in a few of the later chapters of Professor William Z. Ripley's *Railroads : Rates and Regulation.* After demolishing some of the first-used weapons of the Commission, the Court held, in the last decision but one of this series, that the Commission had no power to fix rates. When the railroad had established the rates the Commission could, on the complaint of a shipper, declare the rate to be reasonable or unreasonable, but it could not do anything about it. That question would have to be finally decided by the courts, proceeding once more over the whole ground of investiga-

tion. In the meantime, the rate would stand ; and the injured party might well be ruined long before he could see a glimmer of justice. Neither the manufacturer nor the consumer had any standing in court — only the shipper, and he could merely bring suit for damages after the damage had been done. Nor could the Commission decide what might be a reasonable rate for the future.

In the final decision — the Osborne Case — the court held that the railroads themselves could determine those conditions wherein discrimination was justified by "rare and peculiar" circumstances. This phrase is quoted from a wise provision of the law, intended to give the Commission latitude in cases where unusual conditions, such as water competition, or a roundabout route to an important point, might work an injustice if a rigid and general rate-per-mile rule were applied. The effect of this decision was, of course, that the railroads could imagine "rare and peculiar" conditions as suited the real-estate and commercial and other brigand interests of their owners, and they could make discriminatory rates accordingly.

Mr. Justice Harlan, who had dissented consistently, and almost always singly, throughout this campaign of judicial sabotage, summed up the situation in his dissenting opinion in the Osborne Case.

"The Commission was established to protect the public against the improper practices of transportation companies engaged in commerce among the several States," he said. "It has been left, it is true, with power to make reports, and to issue protests. But it has been shorn, by judicial interpretation, of authority to do anything of an effective character."

Thus it came to pass that Commissioner Charles A. Prouty, in the opening words of an address on railroad regulation in 1897, was able to state with accuracy : "There is none."

It is only fair to add that the penal provisions of the act

were successfully invoked in one instance during these ten years. In this case, a shipper was found guilty of discriminating against a railroad !

The passage of these laws had aroused hope in the heart of many an American business man that at last he had found a shield to protect his property from organized rapacity. Again and again, these men appealed vainly to their Government for honest enforcement. Then the independent coal operators of Pennsylvania grappled with the problem of freeing themselves from the grip of Morgan's Trust. In 1898, a group of independents in the Wyoming Valley planned a railroad of their own, to reach tidewater over a better route than any then in use. Morgan simply bought out the strongest of these independent operators at a huge price, and thus wrecked the co-operative movement.

Undaunted by this treachery, the independents tried again two years later. This time, they were strongly organized, and they laid hands on the best right of way from the coal fields to the sea — along the bed of the abandoned Delaware and Hudson Canal. Fifty miles of this route were absolutely level, and the remainder ran downhill, with the exception of one short stretch where the grade against a loaded coal train was only about fifteen feet in a mile. This railroad could be put in operation at an outside cost of $40,000 a mile. Its potential competitors, aside from heavier operating costs, were capitalized at six or eight times that amount.

Over this route a single locomotive could jog down to tidewater with seventy or more loaded cars behind it, while the Master Builders who controlled the Coal Trust were using two locomotives to push half that number of loaded cars over the mountains. And there, for years, this natural highway had lain before their eyes. This is the measure of the competence and economy which has accompanied virtually all of these Inevitable Economic Tendencies.

The center of this new federation of rebels was the Pennsylvania Coal Company, easily the most powerful of the independents. Despairing of just treatment in railroad rates, this corporation at last led the others in the formation of the Delaware Valley and Hudson Railroad Company. Aside from the other factors indicated, the Pennsylvania Company possessed a fighting strength of about $10,000,000 in liquid assets, and its shipments alone — about five percent of the total from that region — would have assured the proposed railroad of reasonable operating returns. This new alliance was altogether the most formidable threat that the Coal Trust had yet faced.

Morgan was the field marshal who directed the final campaign against the independents. The essence of the Morgan plan is that it is not enough to kill off a rival in the interest of *ultimate* gain alone. The killing itself must be golden. The plan operates generally on the principle that two and two make seven. Take two dollars' worth of stock of one company and two dollars' worth of another, put them together to form a new company, and sell the result for seven dollars. A variant, based on the same principle and used with great success by Jay Gould, is to obtain voting control of a large corporation, buy up two smaller corporations for two dollars each, and sell them to the larger one for seven dollars. The Senate investigation of 1933 revealed one or two classical examples of this plan in connection with the Pennroad Corporation, which appears to have been a sort of leaky bean-bag for juggling railroad securities dealt in by the Van Sweringen brothers as field-agents of the House of Morgan.

Morgan applied this latter method to the solution of the problem of preventing New York and New England from obtaining through this group of rebels anthracite coal in excessive quantities at too low a price. He sent out agents to buy control of the Pennsylvania Coal Company, quietly, but at any cost. For five or six years this stock had sold for

from $260 to $350 a share. Morgan paid as high as $750 without a wince. He finally gained control, and turned the block of stock over to the Erie Railroad at a personal profit of about $3,400,000. First, however, the insiders of high place divided among themselves the $10,000,000 of liquid assets owned by the coal company.

The stock value of this corporation when Morgan began his operations was about $11,500,000. The Erie paid $27,600,000, with additional items which ran the cost up to about $32,000,000. But it must be remembered that the stock value given above was that of a company with $10,000,000 of liquid assets, not a dollar of which went to the Erie. So, if there is any virtue in arithmetic, the railroad really paid $32,000,000 for about $1,500,000 worth of coal company and railroad rights.

Incidentally, the whole transaction, although camouflaged by a dummy corporation, was a flagrant and contemptuous defiance of the Pennsylvania constitution and the Interstate Commerce and the Anti-Trust Laws. And the Federal Industrial Commission in 1902 reported that it had added sixty cents a ton to the cost of coal in New York City. There were no prosecutions.

This operation also supplies, in part, the answer to a question which must naturally arise at this point: "If this Trust was thus looting the people of millions of dollars annually, why were the component railroads in a more or less chronic state of bankruptcy or receivership, or in some other financial slough?" Another part of the answer lies in the purchase of coal lands on fantastic terms made by the insiders with themselves. Great tracts of these lands could not possibly be mined to advantage for decades to come, but the interest on the bonds to cover the purchase price formed a steady charge on the small proportion of the lands which were in active exploitation. The price of coal to the consumer was made to cover the price of coal which might be lying for generations in the Pennsylvania hills, this price

having been arrived at by an agreement between men selling to themselves, and using other people's money to buy.

These other people were not asked whether or no they approved of this use of their money. Hundreds of millions of dollars of the savings of the thrifty were invested in these watered securities without their consent. This was made possible by a truly inspired legislative idea. Laws were passed in important States to "protect" the savings and insurance premiums of the people by strictly limiting the classes of securities in which these funds could be invested. Railroad bonds were thus given a preferred status by law; and a moral obligation was laid upon the Government to see to it that there should be no default on these bonds. As a result, the tax-payers of the nation, through the Reconstruction Finance Corporation, are today engaged in the process of paying for the railroads for about the second or third time in their history. It may be hoped that this time the tax-payers will own what they purchased. Early in the present century a fight for the control of the vast resources of the great life insurance companies, to be employed for these and similar ends, led to scandalous exposures of corrupt lobbying and kindred skullduggery — and launched Charles E. Hughes, as counsel for the investigating committee, on a political career which brought him to the door of the White House.

Labor in the coal fields, of course, had to be kept down to as near starvation levels as possible. The result was the terrible coal strikes of 1902 — which, according to reports of various Boards of Health throughout the land, probably resulted in greater suffering and loss of life than a considerable war. The miners wanted a wage increase of twenty percent. John C. Haddock, one of the few remaining independents, told the Industrial Commission that this advance in wages could easily have been met, without cost to anyone, by the simple expedient of mixing pea coal with chestnut — an operation which would not have lowered

the quality of the fuel. Morgan and his masters of the Coal Trust did not know this. They did not know anything about mines or mining. But their power over these vital resources came directly of God, according to George F. Baer, at this time president of the Reading. In a published letter, dated July 17, 1902, Baer informed his correspondent that "the rights and interests of the laboring man will be protected and cared for — not by the labor agitators, but by the Christian men to whom God in his infinite wisdom has given control of the property interests of the country." Baer told the Government of the United States and the People of the United States that the coal strike was none of their business. He was mistaken. The Trust lost the strike because of governmental and public pressure, and this published stupidity was not the least of the factors contributing to that defeat. It made a public picture of "Divine Right Baer" as the embodiment of oppression, and awakened in the minds of common men historic memories of King George III.

Baer was a small-town newspaper man who had studied law in his spare time, and had thus found his real vocation. After he had beaten the Reading Railway in two or three damage suits, the corporation promptly retained him as counsel. He rose to be president of the company, partly because he found in Morgan a kindred spirit, and the latter had need of his skill in law. When a temerarious minor bandit, Angus McLeod, then controlling the Reading, planned to invade New England, and compete with the New York, New Haven, and Hartford Railroad, just as Morgan had obtained for his employers his lethal hold on that system, Baer broke with McLeod to follow Morgan. The latter, with Rockefeller and Vanderbilt money, crushed McLeod, and took from him control of the Reading. Then Baer returned to high place and high favor.

This divinely ordained lawyer-executive was, in short, the type which was in that period considered ideal material

for the office of Attorney General of the United States. The failure to enforce the Sherman Law in these early years cannot be laid entirely, or even mostly, at the door of the Supreme Court. Under Cleveland and McKinley and Roosevelt, there was a procession of Attorney Generals of the Baer type — Richard Olney, Joseph McKenna, William H. Moody, Philander C. Knox. All of these men had grown big in politics or pocket, or both, in the service of the invisible government. It was vain to hope that they would seriously invoke the graver penalties of the Anti-Trust Law, or the Interstate Commerce Act, against their real employers. Olney, as noticed, used the Sherman Law as a weapon against the Chicago railroad strikers. Eugene V. Debs was held in contempt of court because he had violated an injunction restraining him from entering a combination in restraint of trade. This was the beginning of "government by injunction," probably the most pernicious and tyrannical form of judicial usurpation we have yet experienced. It amounts to this : If a judge signs an order restraining a citizen, or a group of citizens, from doing certain things, no matter how much their legal and Constitutional rights permit them, they must immediately desist or go to jail for contempt of court, while the legal rights of the question are being threshed out in a tangle of writs and appeals. The peculiar viciousness of this method lies in the fact that, in many cases, time acts automatically against the citizen so restrained. By the time he has established his rights, he has lost his cause. This is especially true when the instrument is directed against labor organizations in strikes, and that is the reason that it is there most frequently employed.

None of these Attorney Generals brought determined action against any trust under the Anti-Trust Law, for the reason that it was too dangerous. Much of the subsequent propaganda to "put teeth in the Sherman Act" arose from a warm desire for some well-anæsthetized tooth-extraction.

The law, although worded in general terms, had been drawn by a Senate conspicuous for its great number of constitutional lawyers of unusual ability — Ingalls, Edmunds, Hoar, Cullom, and others. They put plenty of teeth in the Sherman Law and in the Interstate Commerce Act. The penalties in the former, aside from prison sentences, might be said to be designed to be confiscatory. No Attorney General of that period desired to bring his friends and makers before a jury on charges of violating a law equipped, however nebulously, with tusks of that sort.

The evidence is, however, that the Supreme Court would not have failed them in any case. The Sugar Trust, in the early '90's, was attacked for buying up four competing refineries in Philadelphia. Since the trust — that is to say, the American Sugar Refining Company — was a corporation engaged in interstate commerce, and since it was, on the sworn testimony of its managers, openly seeking a monopoly of the sugar-refining business, this looked like a fairly plain case. The Supreme Court had no difficulty with it at all. That tribunal solemnly pointed out that there was no proof that sugar produced in these Philadelphia refineries would cross a State boundary, so the law did not apply. Monopoly of production had nothing to do with monopoly of trade.

Incidentally, the lawless conduct of the managers of this particular trust entitles that creation to something more than mention. It was organized and controlled by the Havemeyer family. The refineries composing the original trust had a stock value of less than $7,000,000, and the combination was promptly watered up to $50,000,000. It depended largely on the tariff for real control of prices, so that it could afford to run no political risks. In 1894, the president of the Trust testified before the Senate investigating committee, inquiring into the corruption which attended the adoption of the sugar schedule of the Wilson

tariff, that he habitually contributed to the campaign funds of both parties.* However, he cannot be credited with invention of this technique. Like so many similar and sinister devices, this was an established custom of the old master, Jay Gould. "In a Democratic district, I am a Democrat," he said. "In a Republican district, I am a Republican, and in a doubtful district I am doubtful, but I am always for the Erie."

The Wilson bill was, of course, drawn in the House, and it was a weakly honest attempt to meet the insistent public demand for tariff revision, a demand which had been plainly registered in the Congressional elections of 1890, and in the election of Cleveland in 1892. Among other provisions, the bill went over to the Senate with sugar on the free list. There was a Democratic majority in the upper House, with the addition of a few Populists who were also pledged to drastic downward revision. The heads of the Sugar Trust descended on Washington and stayed there until enough Democratic senators had agreed to betray their party and give the Trust what it wanted — a betrayal which called forth from Cleveland a bitter public denunciation of the "perfidy." The House managers stood out in conference for days, but the Senate Committee, led by Gorman of Maryland, a Democrat, was adamantine in dishonor, and the House at last yielded. Cleveland could not sign the bill and he could not veto it. The first would have made him ill, and the second would have maintained the odious

* Supplementing the full report of the investigating committee, Senator Henry Cabot Lodge of Massachusetts and Senator C. K. Davis of Minnesota wrote: "This is a thoroughly corrupt form of campaign contribution, for such contributions . . . are not for the purpose of promoting certain political principles, but to establish an obligation to the giver on the part of whichever party comes into power. . . The fact that it [the Sugar Trust] gives to both political parties is sufficient proof of the purposes of its contributions, and of their dangerous nature." E. L. Doheny, the oil magnate who was tried for conspiracy in connection with the gigantic oil-land frauds of Harding's administration, contributed to the campaign funds of both parties in 1920. Doheny was acquitted of conspiracy, always difficult to prove, and was never tried on charges of bribery in the matter of the "black bag" full of money which was carried by his own son to Secretary Fall's apartment in the dead of night.

rates of the McKinley tariff. So he allowed the measure to become law by default.

The managers of the Sugar Trust had the strongest of all possible reasons for insisting upon a Democratic return for campaign contributions. They had bought great quantities of sugar on their personal accounts, and had stored the warehouses full of it. This sugar was then bought from themselves by themselves, for the American Sugar Refining Company, the insiders adding the increased tariff charges and making personal profits of millions. This same trick was repeated on a larger scale in 1897, when the tariff hogs gathered for the great feast offered in the special session of the Congress called by President McKinley. This new bill more than doubled the tariff on sugar ; and, during the three or four months in which it was "pending," the stock of the Sugar Trust advanced from about $110 to $135 a share, and then leaped upward ten points more on the news of the passage of the bill. Congressmen and Senators were speculating in this stock, if the word may be used in a case where the "speculator" knows that by his own vote he can make his speculation safe. A stockbroker, one Chapman, languished for a few months in jail on a diet of canvas-back duck and vintage wines, for refusing to reveal to an investigating committee the names of his legislative customers.

It was at this time that the House, under the Speakership of Thomas B. Reed of Maine, adopted those rules which have ever since prevented honest Congressmen from effectively attacking public frauds. But there was a group in the Senate which meant to fight to the last against this new extortion, begotten in corruption. It was necessary to forestall debate in the Senate, and this could not be done under the rules of that body. The Vice-president, Garrett A. Hobart, took a leaf from Reed's book. Choosing an auspicious moment, he rose, and said in a breathless rush of unpunctuated words, "Is-there-any-objection-the-Chair-

hears-none." Despite the howls of indignant Senators, the measure went to a vote without further debate.

Morgan's most conspicuous achievement was the building of the Steel Trust, and his most notorious the wrecking of the New York, New Haven, and Hartford Railroad. The latter feat was accomplished by the familiar technique of buying up contributory corporations — especially shipping and trolley lines — and passing them through one purchase process after another, until they finally reached New Haven ownership at prices three or four times those originally paid. The acquisition of the Boston and Maine Railroad was made possible through wholesale bribery of the Massachusetts Legislature. For these reasons, the stock of the company, which was traditionally the sound investment of the New England folk, dropped from a market value of about $240 a share to a nominal value of about $30. The railroad property was so badly run down, and its personnel was so demoralized, that wrecks became a commonplace. This writer, at the time on the staff of the *New York Evening Journal*, began referring to the New Haven as the *New York, New Haven and Hereafter*, and went unrebuked of libel suits. The general devastation wrought in New England may be illustrated by one small incident. A widow with two daughters had been left comfortably with about $70,000 of New Haven stock, and two well-placed and readily rentable houses. The stock became practically worthless, and the slaughter of passengers was so persistent that the houses were unrentable to commuters. She and her daughters found themselves destitute, victims of an "inevitable economic tendency."

The Steel Trust, which will be mentioned hereafter, was one of the biggest of these combinations, although Charles Edward Russell, in a series of magazine articles, gave place of honor to the Beef Trust — the combination of the big meat-packers, the Swifts and the Armours and the Cudahys, which strangled the independent cattle ranchers of the

West, and still lays a heavy toll on every frying-pan in the land.

The rise of these great "tendencies" was not unattended by political protest, but this was of a wholly ineffectual sort. Since the industrial workers and the urban middle classes were becoming more and more cowed, the strength of the movement must needs come from the farm lands. And the farmers, historically, have been unable to follow a straight political line to the heart of their troubles. They invariably trip up their own heels on some currency panacea, or other extraneous nostrum. Just as the Grange movement was becoming formidable, in the '70's, it lost its head over Greenbackism. The Populists of the '80's were booming along on the right track — the destruction of the protective system and the public ownership, or rigid control, of the highways. Then they hearkened to the wooings of the wealthy silver-miners, and followed the wandering fire of Free Silver into the political swamp. Those organizations which professed to have the right to speak for the farmers (as this was written) were demanding "inflation," as if that would ever help the farmer to a free market and a new economic independence. The Non-Partisan League wrecked itself in ill-advised and overextended adventures in State Socialism ; and for many of our recent years, the great majority of the farmers believed the organizers of the Anti-Saloon League, and the preachers in the "little church on Main Street," who told them that it was their prime political duty to see to it that none of their grain was brewed into beer, no matter how many robber barons pillaged them while they were thus engaged in reconstructing the social customs of cities they had never seen.

The great political campaign of 1896 marked the peak of the agrarian revolt in the last half of the last century, and threw the powers of invisible government into a panic which must have resulted in a defeat of incalculable consequence, but for the courage and political talent of one man

— Marcus A. Hanna of Ohio. The Populists, their following increasing by the hour, had dusted off the outmoded battle-flag of old John Taylor of Caroline, which Jackson had carried to victory. Their platform in 1892 declared:

"The fruits of the toil of millions are boldly stolen to build up colossal fortunes for the few . . . and the possessors of these in turn despise the Republic and endanger liberty. From the same prolific womb of Governmental injustice, we breed the two great classes of tramps and millionaires."

Then on a sweltering July day in Chicago, a handsome young orator from Nebraska cried out in a voice like a bugle:

"Having behind us the producing masses of this nation and the world, the laboring interests, and the toilers everywhere we will answer their demands for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns! You shall not crucify mankind upon a cross of gold!"

Whatever their meaning, or the extent of their political and economic soundness, they were heart-filling words, and they moved millions into line behind the new prophet. Thomas Beer says that when Hanna learned that Bryan was good-looking and that the women liked him, he threw his cigar into the fireplace, swore vigorously, and went to work. He had nominated a blameless lump of putty, William McKinley of Ohio, on the Republican ticket, and the task was to place this work of plastic art in the White House, in the face of a great revolt.

Hanna was the only Big Business man in our history with a real genius for political leadership. He was also about the only Big Business man of his time with a civilized attitude towards labor. The two came of a common source. For, while Hanna had the sense to see that well-treated and contented workers form a good business investment, this was not the whole of the story. The same humanness

which made him a skillful and successful political general forbade him to look upon labor as a commodity.

Hanna did not underestimate the strength opposing him. He peremptorily summoned to battle every power and agency of privilege. Money was poured in streams, and the printing presses worked night and day. That voter was obscure indeed who did not receive a dozen or so of pamphlets of all sizes, setting forth in simple language the arguments for the gold standard and the protective system. There were posters everywhere, posters which promised plenty as the fruit of a Republican victory, and panic and calamity to follow a Republican defeat. Spellbinders swarmed like the pest of the locusts.

"The full dinner-pail" was the popular slogan of Hanna's campaign. This was the first great and direct belly-appeal in our political history. It was partly a promise, but chiefly a threat. "The wheel of the torment of wives went round to break men's brotherhood." The effects of the Panic of 1893 were passing, and those still out of work were assured of jobs in the event of a Republican victory. On the other hand, the employed were assured that they would lose their jobs if Bryan were elected. Thousands of workers, when they were paid off on the Saturday night before election, were told that they need not return to their jobs on Wednesday if McKinley were defeated. Contracts for manufactured goods were often, if not generally, accompanied by the proviso that they were to be cancelled if the wild men of the West carried the election. The big metropolitan banks threatened the little country brothers with disaster, and farmers were promised long mortgages at low rates by the life insurance companies if they would stand by the Grand Old Party.

That these measures were necessary to insure victory, the returns amply proved. McKinley had a large majority in the Electoral College, but a switch of a few hundred thousand votes in nearly 13,000,000 would have given Bryan

a popular plurality. The margin of victory was not so wide as a barn door, but it was enough. The triumph of invisible government was complete.

Thomas Beer in *The Mauve Decade* says : "Henry George cried : 'Oh, what did it matter about Free Silver ? It's too bad, too bad !' and went pacing up and down his rooms at Fort Hamilton in distress ; the people had lost again !"

They had, indeed, and they had lost disastrously — hopelessly scattered by a side-issue which could not be revived, even as a feeble slogan, in the face of the discovery of the Rand gold-reef and the Alaskan deposits, and of the cyanide process of treating low-grade ores. Bryan's platform was wrecked, not by the arguments of economists and fiscal experts, but by prospectors and chemists. These gave to the world an ample supply of gold.

A scion of one of the newly enriched Pittsburgh families, into whose blood at birth had crept some cynic imp, explained to the betrayed and beaten masses the source and extent of their defeat. His name was F. Townsend Martin, and his contempt for his own class was only less than his contempt for a people which would permit such a class to rule.

"It matters not an iota what political party is in power, or what President holds the reins of office," he wrote. "We are not politicians or public thinkers ; we are the rich ; we own America ; we got it, God knows how, but we intend to keep it if we can, by throwing all the tremendous weight of our support, our influence, our money, our political connections, our purchased Senators, our hungry Congressmen, our public speaking demagogues into the scale against any legislature, any political platform, any presidential campaign, that threatens the integrity of our estate."

This trumpeted complacence was justified by the results. The belief that "all men can be ruled by money" was no longer a mere theory or warning. It was the established fact in the Government of the United States. The powers

of invisible government, glowing with triumph, were no longer zealous to guard their invisibility : an error. The President did as he was told. The members of the House were cattle under the whip of Czar Reed. The Senate was properly called *The Millionaires' Club,* and the Supreme Court was packed with the servants of privilege.

Insolent and invincible, the greedy hosts of invisible government advanced all along the line, and marched into the new century like a conquering army.

But there were still a few hostile rifle pits ahead.

ON October 12, 1933, John McConaughy dropped dead. He had that morning finished what is the final chapter of this book. In the Appendix which follows, Lincoln Colcord, who was closely associated with Mr. McConaughy during the war years in Washington, and had renewed that association during 1932–33 in New York, writes of the man and his place among American political thinkers.

APPENDIX

JOHN McCONAUGHY

By LINCOLN COLCORD

JOHN MCCONAUGHY died suddenly and tragically in New York October 12, 1933, in his forty-ninth year. An organic heart weakness of long standing overtook him as he was walking the street ; he fell on the sidewalk unconscious and never recovered. On the morning of his death he had completed the final chapter of this searching study of the first century of invisible government in America. The book might have been longer had he lived ; it could hardly have offered a more powerful commentary on our political development or pointed a more unerring finger at the crisis which confronts the nation today. The author's realistic and often dramatic method of tying up past events with the present, of analyzing an occurrence of a hundred years ago in terms of a similar modern occurrence with which everyone is familiar, and of showing that figures in history are merely the prototypes of living figures with which we have to deal, gives the work a special vitality and strength of application. In a definite sense its chief lesson is not so much that there were evils in the old days, as that the old evils were the same as the new, cut from the same pattern, having their source in the same qualities of human nature, adopting the same tactics, following the same trend, and producing the same general results. Thus in a remarkably vivid and illuminating fashion the past becomes alive in the preceding pages, and in spite of change and development we realize the permanency of human fundamentals and the unchanging nature of the warfare between right and wrong.

As originally projected, the book was to have included a chapter on the author's intensive experience in government during

the World War, as a member of the Committee on Public Information in Washington, and a further chapter embodying his reflections on the results of the war and a reaffirmation of his democratic philosophy. For this section he left no notes, and no one who knew him would think of attempting to supply the material. McConaughy was too strictly an individualist, his thought and style were too much all his own, for the effort to hope to be successful. Beyond this, the idea itself would have been anathema to him. He would have believed with the whole power of conviction that when a man died his voice should cease; that to try to spin out his words a little longer would verge on the special brand of intellectual dishonesty which he saw always as the source of man's hypocrisy and one of the world's chief ills, and against which he levelled his heaviest shafts of scorn and anger. For he was one of those who hold that we reveal ourselves wholly in slight ways, that nothing is true which has a note of falsehood in it, and that the battle of truth cannot be won by the least measure of compromise.

Yet I think perhaps he would not have minded a brief personal word from one who held him in profound admiration and affection, who had the joy of knowing him and will always draw strength and purpose from his memory. Wherever he is going now — and such spirits can hardly die — he must be bitterly impatient with the stroke that cut him down in the midst of battle. To us who loved him he will continue to live in his fierce, triumphant way, as a constant challenge to our thought and a beacon to our integrity. His eyes will be on us; when we grow careless or insincere, he will pick up the error; when we feel like flinching, his laugh will stiffen our hearts. For he himself did not know the name of fear, and could not understand such things as evasion or subterfuge. He was so simply and naturally honest that one saw at once through him that this was the only way to live.

More completely than any man I have ever known, John McConaughy combined in his mind and heart the best qualities of true old-fashioned Americanism. This term has been twisted to many uses in recent years, and too often has become associated with that type of patriotic propaganda which is not Americanism at all. The true old-fashioned Americanism was based

on individual thought and freedom of action ; it drew its strength from non-conformity. It understood the rights of man and the principles of human liberty. It believed in opposition, knew that all men were essentially democratic, and recognized that self-government could function only in a political scene untrammelled by arbitrary power. More than this, it recognized that the most insidious type of arbitrary power was the power of the majority ; that unless the rights of the minority were fully protected, democracy would fail. Thus the key to self-government lay in the strength of the minority, and the rebel was the protector of democracy. To such a mind nothing was sacred but truth and freedom ; that is to say, nothing was sacred but humanity.

This democratic faith was the very foundation of McConaughy's philosophy of living. It made him at once the truest of democrats, the bravest of rebels, the fairest of fighters, the most uncompromising of thinkers, the soundest of realists and the highest of idealists. He lived hard on the path of truth, and never spared himself. Everything with him was to be either believed or disbelieved with violence. Everything was to be either attacked or defended, hated or loved. There were no halfway measures about him, and no one ever had occasion to spew him out because he was lukewarm.

In a lesser man this might have become mere agitation and erratic radicalism ; in a man of McConaughy's stature it opened up new vistas in the function and integrity of citizenship. He always knew his ground and dealt with facts ; when he attacked he was hard to answer ; when he defended, one usually had to admit he was on the right side. Truth lived in him, and his rebellion marched with the progress of humanity. In any walk of life, in any era, he would have been much the same and equally at home. In Revolutionary days he would have been active with the Committees of Correspondence, and would have fought in Washington's army till the last gun was fired. One thinks of him later as in politics, in journalism, in the ministry, or as a teacher or publicist, and he is always himself, saying the same things to clear the air and force others to stand by their own truth ; or he would have been outstanding as a farmer, an engineer, a sailor, an explorer. The poet in him made him universal.

He belonged to the small company of those destined to lead thought through the ages; the cruelty of his death just as he was coming forward to full expression, with the times needing him so sorely, is hard to understand. The country does not know what it has lost. Yet it is characteristic of him that his final message should tell such a clear story of the America he loved. When all is said and done, in thinking of McConaughy the mind swings back inevitably to the scene of early Americanism. In some strange way he managed to derive his virtue from our best traditions, and actually to embody those rare qualities that went into the founding of the republic — the love of adventure, the audacity in action, the zest and virility, the wit and practical sense, the fierceness and determination, the independence and fine co-operation, the recklessness in the right, the faith to believe and the courage to go forward.

His father was descended from the Scotch-Irish immigration that had settled in the Shenandoah Valley, the same stock from which Woodrow Wilson sprang. His mother was a Thomas, belonging to a branch of the old Connecticut family of the same name that had pioneered in Ohio. Born in Belleville, Illinois, in 1884, McConaughy grew up in the most interesting period of middle western history. He did not go to college; after high school he went into journalism, and at the age of nineteen became sports editor of the *St. Louis Post-Dispatch.* Coming to New York soon after, he worked for Mr. Hearst for ten years on the *Evening Journal,* as reporter, editorial writer, dramatic critic, and in various executive capacities. Then came the World War, an event calculated to claim all his desire of service. Possessed of a magnificent body and perfect health, as he thought, he wanted to get into the fighting at once. But the doctors would not pass him for the army; this was his first intimation of the heart weakness that finally caused his death. It was a heavy blow for a young man of his imperious nature, the sort of stroke of destiny that is hard to brook and that changes unavoidably the trend of life. McConaughy went to Washington instead, and plunged into the war of ideas there.

I first remember him in 1917, as mentor of the Committee on Public Information — as mentor of the Wilson administration, as a matter of fact. We had then entered the war, and were

frantically trying to organize our vast war enterprises. The question was, should we turn criticism loose with respect to this job of organization, or should we control the press in the interests of bureaucracy? More important than this, should we inspire the thought of the country to free criticism, and give it full information as to policy and operation, or should we go forward into the war with an arbitrarily controlled national mind? This is always the question when government undertakes a heavy task; and it was solved then as it usually is solved, by the adoption of undemocratic methods. President Wilson characteristically advocated freedom in words and denied freedom in action; he had already embarked on the course of rationalizing his liberalism and following the easiest way which ended in the disaster of Versailles. The Committee on Public Information was formed to be the clearing house for news between the government and the people; that was its high-sounding charter. In practice, the press of the country soon fell completely under its control, nothing was said that the government did not sanction, and bureaucratic hand-outs furnished the main source of Washington news. The scope and power of government propaganda were only then being discovered. Today they are all too familiar.

The issue of publicity was vitally important from the beginning, and there could never have been a question on which side of it McConaughy stood. All his sense of the American temper, his feeling for freedom, his conviction of democracy, were aroused. He believed in President Wilson's liberalism with a passionate loyalty, but he believed with equal vigor that President Wilson was doing the wrong things to bring his liberalism to pass. He thought the only way for America to conduct a war was to have the right policies, to give the country full and free information, to subject everything to the searching criticism of public opinion, and to unify the enterprise on a basis of informed national conviction. The growth of the arbitrary power of bureaucracy he looked upon as the enemy of our success in the war, as the enemy of President Wilson's liberal policies, and as the ultimate enemy of our economic and social welfare. Time has proved him to have been right in every particular.

As a member of the Committee on Public Information it was

McConaughy's self-appointed task to check up on the accuracy of statements coming to him from administration sources for release to the press, and to try to tell the country the truth about the war. Only those who lived through those days in Washington could appreciate the problem he had tackled or the pressure that was brought to bear against him. Terrible things were going on, under cover of patriotic fervor and the war hysteria. Colossal scandals were on foot, shocking inefficiency was rife, billions of money were being spent to no good purpose, and all the forces of greed and corruption were abroad. Through carelessness, through the human desire to justify or cover up error, or through deliberate intention of evil, the statements coming down from departmental sources were frequently inaccurate and misleading. It cannot be said that there was a concerted plan to deceive the country, though politics and bureaucracy have an automatic trend in this direction. But had there been no check on governmental releases to the press during the war, the country would have been subjected to a far greater deception than it suffered.

The difficult and thankless job of challenging the forces of propaganda fell largely on McConaughy; he fought it out on every hand for two years, performing a public service that can hardly be estimated. Throughout Washington he was known and feared and respected. He saved many a department head from an indiscretion launched by a subordinate. He saved the government from many of its own errors, and saved the mind of the country from some of the errors government unconsciously was trying to impose. All ideas that came to him were subjected to his fundamental belief in democracy and the unflinching honesty of his purpose. Were they true or false? If they were false, they must be thrown out. Nothing could possibly justify the publication of a falsehood. No cause ultimately could win along those lines. Tell the truth and shame the devil. The people had a right to know everything.

A single instance shows the nature of the work he accomplished. The army was being recruited and trained, the cantonments were full of raw troops, and serious problems of disease were gaining headway. The Surgeon General's office wanted to keep this situation dark, and refused to give out general statistics

and even individual information to parents at home. McConaughy fought the point single-handed, until he convinced the Surgeon General that it was better to issue full information, even including the figures on venereal disease, in an effort to quiet the country's mind. Soon after this the first violent epidemic of influenza swept through the country, and the mortality in the army camps was appalling. General Gorgas often said that if it had not been for McConaughy's policy of full and free publicity the public mind would probably have got out of hand during the epidemic ; but by this time the people were satisfied that they were hearing all there was to know. Public service of this high order can only be appraised in spiritual values. McConaughy knew that he had helped millions of fathers and mothers to rest a little easier in their minds. He also knew that they could never know it, and that his reward lay between himself and God.

It was the most colossal scandal of the war that finally dislodged him from office ; for this is not a copy-book story of virtue triumphant, and the wonder is that McConaughy maintained himself in power as long as he did. I refer to the aircraft scandal, which has never yet been pulled out in the open, probably because it involved so many of the important industrial interests of the nation. Briefly, a billion dollars were spent and no aircraft were produced for the army in France. The scandal grew so bad that it broke into the press. Gutzon Borglum, the sculptor, obtained a tentative appointment from the President to conduct an unofficial investigation of the case ; the facts he turned up were too devastating to be supportable. I suggested to Colonel House the name of Charles Evans Hughes as the right man to conduct an official investigation ; Colonel House made the suggestion to President Wilson, and it was adopted. Mr. Hughes, who had been Mr. Wilson's opponent for the Presidency in 1916, was attached to the Department of Justice by a special appointment, and held a series of hearings lasting several weeks. McConaughy was the chief witness at these hearings ; all the Borglum material was also presented. The facts are a matter of record ; the findings of Mr. Hughes were published in an official document — a document as devastating as the scandal with which it deals. Mr. Hughes condemned unequivocally the whole air-

craft organization, and recommended the court martial of at least one officer from the army. The inferences to be drawn from a reading of this public document are shocking in the extreme.

But within a month the armistice was signed and the war closed. The Hughes aircraft findings were never driven home; the press did not dare to push them. The officer whose court martial Justice Hughes had recommended, resigned from the army and retired to private life, taking up his former position as a prominent industrialist. At a testimonial dinner at which Secretary of War Newton D. Baker was a chief speaker his public record was lauded to the skies — and the incident was closed. McConaughy meanwhile had been removed from office in the Committee on Public Information and sent on an obscure diplomatic mission to Central America.

Thus on the score of bitter experience this brave fighter was well equipped to deal with the subject of invisible government in America. And the ending of the World War broke McConaughy's heart. He believed, as I have said, in the Wilsonian liberalism — believed in practical terms that a liberal peace could have been concluded, and that the world could have been saved the agony of the past dozen years. He felt that Mr. Wilson had betrayed humanity and sinned against the light when he signed the Treaty of Versailles. There was nothing more to be done. Under the intensity of his emotion McConaughy suffered a nervous breakdown, left the field of journalism and public affairs, and took refuge in the motion picture business. During the period he always referred to as the "Dark Ages" of the Harding-Coolidge-Hoover administrations he ranged from Tahiti to England on various motion picture enterprises, biding his time to speak till better days came along.

It is good that he did not know how short his time was. Nothing that he had suffered had embittered him, and years of experience had only made him younger in his heart. All his interests were in the youth of America, for this was the essence of his democracy. He believed in a triumphant destiny for the land he loved — believed that America, in the economic revolution that was coming all over the world, would not fall into the errors of Communism on one hand or of Fascism on the other,

but would cleave to the fundamentals of the old democratic principle on which the republic was founded. And he believed, and knew full well, that if this were to be accomplished it rested with the youth of America to do the job.

If he had lived to see his book to publication, I think he would have cared for the opinion of youth most of all. I think he would have said to youth something like this: Do not be deluded by what you read and are told. Think your own thoughts and form your own conclusions. Facts are simple and anyone with an honest mind can understand them; it is only standards in judging facts that go astray. This book attempts to show the way things have been in the past; it is no different from the way of things in the present against which you must contend. Do not believe your masters; believe only yourselves. The old leaders have betrayed you; they have destroyed the world under your feet. Never mind, do not blame them, they were only untrue. The sadness and error were theirs, not yours. See to it that you hold true. Go ahead and build a new world; it could be easily done. Nothing was much worth saving, anyway — and nothing is hopeless. The battle of truth is the only thing worth while. It has always gone on — it will always continue to go on.

LINCOLN COLCORD

New York City
Dec. 15, 1933

WILSON ON WILSON

By JOHN McCONAUGHY

THIS short article was found among Mr. McConaughy's papers after his death. It seemed to me too valuable, first in itself, and then as a footnote to this volume, to let go unpublished, so I have added it here.

LINCOLN COLCORD

WILSON ON WILSON

CONTEMPORARY evaluation of a great public figure like Woodrow Wilson can only by accident have the authority of historical finality. Time alone, time measured in decades or centuries, can bring forth the evidence of the eternal consequences of acts. And a man's true motives, the secret springs of his spirit in the hour of action, are generally known only to himself.

But in Wilson's case it is possible to make a study of the man that does not altogether fly in the face of this accepted truth. We can make a fairly accurate estimate of the man as he would have appeared to himself. We can consider what would have been the judgment of Wilson, the philosopher of history, upon Wilson, the statesman of history. For he was a profound student of politics before he began practicing politics. He thought much and wrote a great deal on this subject. And we may honestly consider his conception of politics, with all their implications in relation to his own conduct as a politician. For a certain measure of a man may be not unfairly taken by the measure of the inherent soundness or sincerity of the method by which he tries to serve his own ideals.

Since this is a conscientious attempt to set forth only what Wilson, the student, might have written of Wilson, the states-

man, if it had been possible for them to have been two different men, the writer has drawn but little on his own private knowledge of the subject ; and then, in general, only for the purposes of illustration. Practically all of the material is taken from the quotations and finely accurate paraphrases of Wilson's own writings contained in a few pages of Ray Stannard Baker's sympathetic *Life and Letters of Woodrow Wilson* (Vol. II, Page 99 et seq.).

At the outset it is important to understand that, while all of Wilson's life up to the last ten years or so, was a preparation for a career as a public man, it was not consciously directed to that end. His aim was even higher than the Presidency of the United States, albeit in a different direction. He had progressed from an early instinctive admiration for Hamilton to a reasoned worship of Lincoln ; and along this path he believed he had touched the deepest fundamentals of political movement. He was, when he was suddenly switched to active public life, prepared to devote his remaining years to the great work of making these mysteries clear :

> He would teach other men the true attitude toward the nation, he would write books that should stir sluggish citizens to reform their institutions, and finally he would produce a vast fundamental treatise, a 'Novum Organum of politics,' which would serve to guide the thought of the world. . .

This is not the program of a man conspicuous for shrinking modesty ; and it is necessary, even in so brief a study as this, to deal frankly with the legend of Wilson's egomania. This is one of the few places where the writer draws, to a certain extent, on his own private knowledge. There is no doubt that Wilson was irritated by frivolous or uninformed argument ; and there is little doubt that he sometimes — because of the sureness of his own convictions — dismissed, as frivolous, arguments which were not entirely so in fact. He had a sort of intellectual impatience with those who, lacking his finely trained mind and scholarly background, tried to meet him on terms of intellectual equality. He did not realize that all the words of a fool are not folly. But, as his biographer says, his convictions could be changed by arguments that satisfied his reason. He had none of the weak and stubborn man's mere pride of opinion. He never thought a

thing merely because he had thought it out himself. On the contrary, when he thought a thing he thought it because he thought it was right. And then he thought it very firmly indeed.

It is not surprising that he should have had an early admiration for Hamilton — a dangerous idol for a modest man. On this point his biographer says :

> It is indeed a rare historian or political writer who can steer his way safely between the Scylla of Hamilton and the Charybdis of Jefferson. . . Wilson, at this period of his life, while a traditional Democrat, leaned more than 'the shade of a hair' toward Hamilton, but he clearly saw that it required both of them to make a nation. In later years he drew much nearer to Jefferson. While he calls Hamilton 'one of the greatest figures in our history,' though not an 'American,' he goes on to say :
>
> 'He rejected, if he did not despise, democratic principles ; advocated a government as strong, almost, as a monarchy ; and defended the government which was actually set up, like the skilled advocate he was, only because it was the strongest that could be had under the circumstances. He believed in authority, and he had no faith in the aggregate wisdom of masses of men.'

The defect in this detached historian's estimate of Hamilton is that only in the warmth of the writing does Wilson suggest that which gave him his feeling of spiritual kinship for the man — his idealism. For Hamilton had not only an emotional hatred of democracy but also a passionate devotion to his own ideal of authority. Even the most compromising democrat may not assume that because a man distrusts the people he cannot be an idealist. A Julius Cæsar sometimes has as exalted an aim as a John Brown. An Antoninus may — and generally does — have the welfare of his countrymen as dearly at heart as an Abraham Lincoln. It is quite possible for a man to be wholly willing to die for the people without once being willing to trust the people. Hamilton would have detested a democrat like Lincoln as thoroughly as he detested an adventurer like Burr. Indeed, for all practical uses of politics, he would have made little distinction between them. Therefore, while a true democrat would never think of belittling a man like Hamilton, he would almost certainly think of beheading him, as Strafford was beheaded. And it is the furious idealism of such men as Hamil-

ton which makes them personally, public menaces. We never know at what moment a Hamilton may find it his invincible moral duty to take charge of the government and show us how much better he can govern us than we can govern ourselves. And democrats insist that the people shall govern themselves, no matter how badly the authoritarian thinks that they do it.

What is here strongly pertinent is the effect of this authoritarian philosophy on him who holds by it. When a man rejects the faith of democracy for the principle of authority, he automatically divides all men into two groups — a few wise men who should hold authority and the great mass of stupid men who should obey authority. Almost inevitably he pictures himself as belonging in the first group. It is in the nature of his creed that the passionate authoritarian cannot imagine himself hurrying around to find someone he can obey, confessing himself too stupid to do anything until someone in authority tells him what to do. This is illustrated in our authoritarian of today who is demanding censorship of books and plays, and motion pictures and so forth — and in him who "needs a Mussolini." You invariably find that he has not the slightest fear that his own morals may be undermined or his own patriotism corrupted. His concern is solely for his "ignorant" neighbors, and if we had a Mussolini he would naturally be that Mussolini's right hand man. Wilson, at one time in his career, certainly had this superior opinion of himself. Few men of intellect wholly escape it. In later years he himself described it as his "smart Aleck" period.

In short, while Wilson never entirely lost his admiration for Hamilton, he soon reached the place in his progress toward democracy where he could laugh at the innate bumptiousness of authoritarian assumptions.

But it is significant that this reaction was essentially intellectual. There is no indication that Wilson ever sympathized with Jefferson's flaming hatred of Hamilton's ideals. Here is the first approach to what seems to have been the dark difficulty that troubled Wilson's last years. He did not see that authority and democracy could not even remotely touch hands. If it required both Hamilton and Jefferson "to make a nation," why was not a nation made at that time? Why was it that, as Wil-

son said, the nation was not even "really born until the close of the Civil War"? Hamilton and Jefferson found what was a nation in essence. Why was the work of giving it form so clumsily done that the pains of a terrible civil war were necessary to a real birth?

Superficially, the cause of that upheaval was a mere matter of mechanics — the definition of the relationship between the states and the central government. But the true cause, as we have seen, lay much deeper. There could be no binding compromise between the democracy of Jefferson and the authoritarianism of Hamilton. No one can possibly camp out and sleep in a house on the same night. Jefferson wanted to camp out and Hamilton wanted to sleep in a house. They "compromised." And the result of that compromise was that for three quarters of a century the American people could not tell whether they were trying to camp out in a house or house themselves in a camp. Even though at last, "dazed by many doubts," they appealed to "the drumming guns that have no doubts," the matter is still a long, long way from final adjustment.

Of course, as Wilson "drew much nearer to Jefferson," he was on the way to Lincoln. For this reason it is easy to understand his early, almost contemptuous, dismissal of Jefferson. But even if Wilson was at one time a little less than just to Jefferson it was undoubtedly because he had already found in Lincoln so completely what he sought.

> His admiration for Lincoln continued unabated all his life. . . 'He (Lincoln) never ceased to be a common man: that was his source of strength. But he was a common man of genius, a genius for things American, *for insight into the common thought, for mastery of the fundamental things of politics that inhere in human nature and cast hardly more than their shadows on constitutions.*'

In these last few lines are at once the end of his search and the beginning of his vision. Here is the reason for his worship of Lincoln, and also the basis of that "vast fundamental treatise," that "Novum Organum of politics, which would serve to guide the thought of the world." But how to follow these tangled, if shining, threads and pin down their exact meaning in the twenty-six letters of the alphabet? His biographer says:

Facts, merely as isolated facts, he despised. 'Kiln-dried stuff!' What he wanted was the meaning and significance of the facts. . . "I think I should serve them (the facts) better by giving their true biographies than by merely displaying their faces."

Wilson came at a time when the scientific historical method was in the strength of its great beginnings ; although he was influenced by it and indebted to it, he resisted utter subjection to it . . . 'the history of nations is spiritual, not material, a thing not of institutions, but of the heart and the imagination.'

The poets were truer guides than the scientists. History like life, was not merely a science but an art. Nor could life be explained upon a theory or dogma — even the popular dogma of economic determinism . . . 'men love gain . . . they sometimes love each other. . .'

It is difficult to see how a scientific method can be of much service in the study of a subject which is not a science but an art — a thing "spiritual, not material." The poets are truer guides. Wilson rejected the "scientific dogma" of economic determinism — not because it is altogether false, but because it is altogether misleading. He knew it to be perfectly true that men love gain. But he also knew it to be true that men sometimes love each other to their great economic disadvantage. These inconsistencies cannot be reconciled by the "scientific historical method." For example, it is plain that the American people are moved — among other motives — by an intense materialism and by an equally intense altruism. These are two evident truths, but it is even more evident that they are in direct contradiction. In the scientific sense they should cancel each other and leave us without any motivation whatever. Therefore, the "Scientific historical method" could no more accept this as a basis for the study of the American people than it could accept the statement that a log-fire will burn cheerfully in the midst of a waterfall. It must reject either the log-fire or the waterfall, the materialism or the altruism. And this, in fact, is what it does. It simply ignores, or utterly distorts, one or more huge and important truths. If the historian admires the American people, he explains everything by our altruism. If he dislikes us, it is even easier to attribute everything in our history to our materialism. In either case this method makes the interpretation of history so easy that text-books can be (and not infrequently are) almost written while you wait. It is the

method of Procrustes: a little stretching here, a little lopping there, and everything can be made to fit.

Wilson's fine intellectual integrity would not permit him to embrace this school of machine-made interpretation. He saw that you could not reach the truth about a people by the simple process of eliminating half of it. The student, in this case, must not only accept the materialism and the altruism, but he must also add a third and even more important truth — the fact that the first two contradict each other. With these three seriously in mind he may have a sound basis for further study; but, obviously, the "scientific method" can be of little use to him.

The true scientist will, of course, reject with proper indignation the foregoing analysis of the "scientific method." He will be quite right in pointing out that it is not scientific at all. If a real scientist should actually come upon the phenomenon of an ordinary log-fire burning under a cataract, he would at once discard the current dogma concerning the inevitable effect of water on wood-fire and set about seeking a scientific explanation of the fact.

And sooner or later he would almost certainly find it. The practical certainty that, even in a case as wild as this, the true scientific method would succeed, seems to have misled Wilson. He did not fully accept the plain fact that the method of approach to things of the physical world can seldom have aught of value in common with the method of approach to the spiritual. Fine standards of measurement, acutely reasoned formulae, tested axioms, all of the equipment without which the study of physical phenomena cannot fruitfully advance is worse than useless in any attempt to know what is conveniently called "the soul of a people." For example, in the physical world when a mass moves toward an object a straight line is the shortest path. There is no exception to this rule. It is axiomatic. But when the spirit of the mass of men moves toward an object, a straight line frequently ceases to be the shortest path. Lincoln instinctively understood this singular truth. The great mass of the people hated slavery as heartily as he did; but they would not move in a straight line to the abolition of slavery. The Civil War was fought "to preserve the Union." The Emancipation Proclamation was merely an act of military expediency.

Wilson could never entirely rid himself of the belief that in some way these mysteries could be openly hunted out and classified. He could not bring himself to admit that even in its broadest and best sense the method of science cannot apply to those complexities and subtleties of politics which had captured his mind and imagination. And this inhibition affected at times not only the clarity of his writing but also, as will be seen, his conduct as a politician. The presence of this difficulty in his habit of thought — and its innate absurdity — is made plain in this passage of his writings :

> If the processes of politics are unconscious, why then this blind mechanism may take care of itself ; there is nothing for us to do. . . The method of political science, on the contrary, is the interpretation of life ; its instrument is insight, a nice understanding of subtle, unformulated conditions. . . Politics can be successfully studied only as life ; as the embodiment of opinions, prejudices, sentiments, the product of human endeavor and therefore full of human characteristics of whim and ignorance and half-knowledge ; as a process of circumstance, of inter-acting impulse, a thing growing with thought and habit and social development — a thing various, complex, defying all analysis save that of insight.

The gist of all this is that political science is a science which rejects all scientific method and turns to the unformulable "method" of the mystic. For insight implies a sympathetic understanding that goes far beyond mere discernment in the direction of mysticism . . . "defying all analysis save that of insight." Insight is no more a form of analysis than falling down a well is a form of locomotion. The only point of similarity is that both enable you to get somewhere — but not to the same place, nor in the same condition on arrival. It would have been more absurd, though hardly less meaningless, if Wilson had written that a good time or place for this study is somewhere between the public library and five o'clock. Insight is mystic : analysis is scientific. Obviously, a science of which "the instrument is insight" is just not a science at all. All that Wilson says in his elaborate definition of "the method of political science" is merely that there is no method and that it is not a science. He says so very clearly, although he did not mean to say it at all. And in this connection it must be borne in mind that few modern

writers have equalled him in the exact use of English words to express subtle shades of thought, in artistic feeling for the nuances of the language. Therefore, when, as in this case, he is guilty of foggy writing it is because he was in the first place guilty of confused thinking.

But it is necessary here to go behind the mere words to the true meaning, which is clearly perceptible through this cloud of hazy thought and expression. This is that the essential elements of great political stirrings are hidden from all sight save insight, and are forever beyond the range of science. Political science is the comparative study of political institutions, and of the more or less obvious relations of citizens to those institutions. The method used in dealing with these things, which may be objectively weighed, can be only a hindrance in the quest of those things that "inhere in human nature and cast hardly more than their shadows on constitutions . . . things spiritual . . . not of institutions, but of the heart and imagination."

Spiritually, Wilson never had aught in common with those curious folk who, for example, attempt to light up the immense profundities of Beethoven and Coleridge with the candle-flame of Freud; yet he could never wholly escape the consequences of his early contact with their "method." He was "indebted to it" for this confusion of thought.

And it may be that his heredity was also a factor. He came of, and always reverenced, that strange breed of iron men, the Covenanters, who gloomily exalted the syllogism into a Moloch. These grim logicians marched, under the lash of a pitiless reasoning, from the dogma of original sin to the horrible doctrine of predestination. It was their pride that they had chained up an Infinite Love in fetters of finite logic. By sheer power of reason they tore from God His Heart of mercy; and Wilson believed that by this same power he could tear from the hidden depths the secret of those mighty impulses which are at once the peril and the glory of man.

In the strength of that deep instinct for the truth, which brought him all the long way from Hamilton, it was an almost incomprehensible error. Yet, even when he turned to public life, with a great democrat as his model, he was not free of this heresy. He never unreservedly accepted the fact that a man

can no more reason himself into the heart of democracy than he can reason himself into the heart of ecstasy. The mental habits of a lifetime still bound him, when with all his soul he longed to let them go. These prevented him from embracing the truth that shines so clearly through the fog of his thought, a truth which we have already noted: That democracy is not a system of government to live under, nor even a set of principles to live by, but a faith to live in. Institutions and principles are but the trappings, just as ecclesiastical government and ritual are but the trappings, which sometimes hardly even suggest the underlying faith. These change and perish, but the faith remains. Pure reason may concern itself with the surface manifestations of democracy until it is exhausted by its own efforts at rationalization. But these can afford no clue to what we have described as that shattering, and often illogical, logic that suddenly sways the mass of men into swift and decisive action. This defies all "method" save that of insight into the common thought.

Thus Wilson followed a line of carefully studied reasoning which led him straight to the point where he must logically abandon logic as an instrument — and beyond that point he could not move. To be a democrat a man must feel democracy. The poets are indeed truer guides than the scientists. Clio is the full sister of Erato and Calliope. An artist may, by seating himself upon the bank, produce a picture which shall forever exalt the beauty of a running stream. But he himself can feel its tingling glory, the lifting, gripping power of its rush, only by going where painting is impossible — into the heart of it. He must give himself up to it. "My son, give me thy heart." Without pride of intellect or hesitation of the soul he must, like Jackson, have the courage to throw himself into those deeps where is born the aggregate wisdom of masses of men. With unflinching faith he must be willing, if necessary, to submit his body and his spirit to danger and dread. The voice of the people is the voice of God; and the democrat must say of the *demos* as stout-hearted old Job said of the Deity: "Even though He slay me, yet will I trust Him."

Such was Jackson, whose mind moved in mystic harmony with the minds of common men. The most intellectual of his

contemporaries have borne testimony that in great matters Lincoln was often right with a swift and mystic sureness which left pure intellect far behind. "We know the truth, not only by reason, but also by the heart," said Pascal.

It is strange, almost beyond belief, that Wilson should have so deeply reverenced this faith, should have so passionately yearned to make this true greatness his own, and yet missed the only path by which it might be gained. It was as if a man were to stand with his hand upon the door of a room that held all that his heart desired, and yet dare not lift the latch. Wilson dared not make the renunciation demanded at the threshold. He could not, in Gladstone's phrase, throw his mind into the common pot. He could never wholly divest himself of the caste-pride of the intellectual aristocrat. Even in his appreciation of Lincoln there is a false note which is symptomatic. It is the use of the word "mastery" — "mastery of the fundamental things of politics that inhere in human nature and cast hardly more than their shadows on constitutions." He who rides the whirlwind does not master it in the sense that he controls it. Nor does he master it in the sense that he masters Euclid. It is miracle enough that he rides it.

There is similar discord in his much quoted and little dissected line : "The world must be made safe for democracy." If this means that democracy must be made safe for those who embark upon it, it would be just as reasonable to ask that the ocean be made safe for sailboats. Democracy is an adventure, as dangerous as it is glorious. It may be that it is glorious because it is dangerous. In any case, there is certainly nothing "safe" about it. If, on the other hand, he meant that democracy must be made safe from those who hate it, the idea is even more quaint. It is like asking that lion-taming be made safe for lions. It is not the lions but the lion-tamer — the authoritarian — who here takes the risks.

To the end of his days as a public man, Wilson seems never to have abandoned the hope that in some way he might thrill to to the glory of sunlight by making a painstaking laboratory study of the spectrum. He never shook off that difficulty, which sat down with him in his study in Princeton and walked by his side into the White House. This laboratory viewpoint leaped up

suddenly in his astonishing appeal for a partisan Congress in 1918. Logically and historically, in Wilson's mind, this appeal was entirely proper. He believed in party government and in the two-party system. He was leader of the Democratic Party. Therefore, in that time of peril, it was logical to ask that he be thus supported.

There is no flaw in this logic — and his appeal was received with stupefaction and rage. For the people were working with an entirely different kind of logic. While Wilson was thinking in the terms of the tradition of party government, they had forgotten that there were such things as political parties. They were trying their best to feel that they were sacredly united in a common cause, and he requested that they divide themselves into two groups — between which only an expert can tell the difference. They were feeling themselves to be patriots — and he suddenly asked them to be Democrats! Patriotism, Edith Cavell said, is not enough. But there is scant authority for the idea that registering with the Democratic Party in a Congressional election is an even higher form of spiritual expression. The result of this blunder was his disastrous loss of the Senate.

If this scheme had been brought in similar circumstances to a Lincoln, he would probably have told a "story," acid with satire, that would have seared alike the thing and its proposers.

The climax came at Versailles. Under a new name an old and terrifying ferment was astir in the world. Again and again at the peace table Wilson was told that if France did not get this, or Italy that, or England the other, their peoples would "go Bolshevik." In one lightly veiled form or another this was a constantly recurring threat.

Whether or no this danger was real, whether or no it could properly be called a danger even if it was real, is not now our concern. A hundred years hence it may be possible to say with some degree of sureness whether a series of upheavals, brought about by the refusal of the elder statesmen of Europe to abide by those principles of Wilson which their peoples had taken to heart, would have been a blight or a blessing. One fact alone is here pertinent. The three old men who opposed Wilson, like the three weird sisters on the heath, conjured up out of the evil cauldron of their immemorial hatreds and national greeds

the armed head of Hamilton's "Great Beast" — and the specter daunted him. In the hour of his test he could not bring himself to trust the people.

Jackson's mystic understanding of what was in the minds and hearts of common men was denied him. And in this crisis, when he must feel sure of something, when he must feel known ground beneath his feet, he returned to Hamilton : he had no faith in the aggregate wisdom of the masses of men.

Inevitably, when he came home with his one bit of salvage, the Covenant of the League, which Hamilton would have admired for its elaborate political architecture and anxious "checks and balances," he found that the people no longer trusted him. He who had striven with all his light to serve them was at the last rejected of them. Then his heart and his body broke, and he died.

"Lincoln never ceased to be a common man : that was his source of strength." Wilson never succeeded in being a common man : that was his source of weakness. With all the power of this great mind and soul he strove to be a democrat, and failed. He could partly understand democracy : he could wholly exalt it ; he could probably even have died for it — but he could not feel it. Its mysticism eluded him. His old unhappy intellectualism was a veil that dimmed the vision. The poets were the truer guides. Their ecstasy was born of an insight so perfectly attuned as to be called divine inspiration. He could look with a sort of wistful and noble envy upon the wild sanity of Keats, but himself could never find the way to the magic casements that open on the perilous seas. He struggled upward to the splendid peak of a life-time of idealistic labor, and a mist hid all the stars.

That was the tragedy.

And this, I think (making necessary allowance for the difference in style between a master and a sorry journeyman), is what the Princeton philosopher of history might have written of the twenty-eighth President of the United States.

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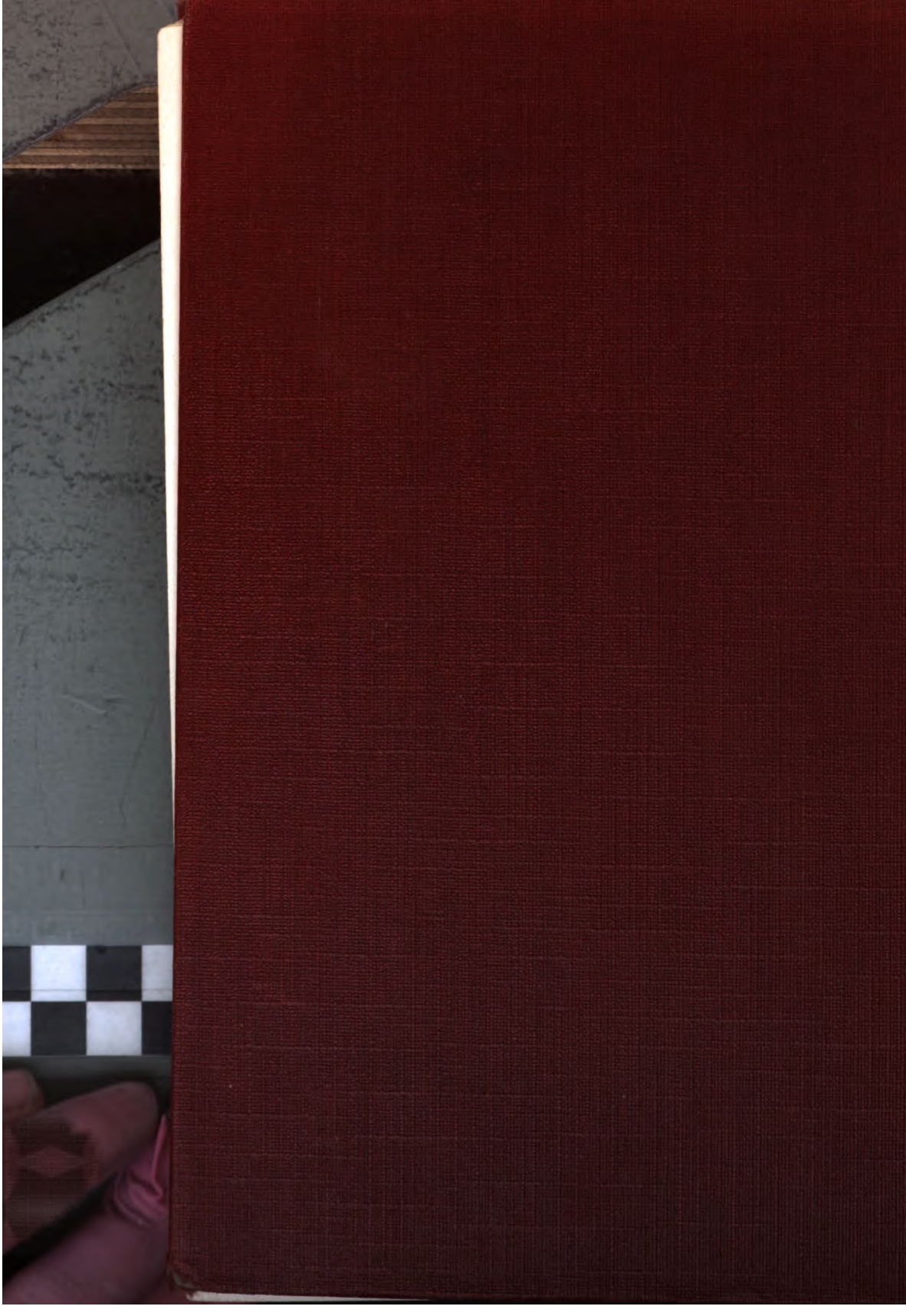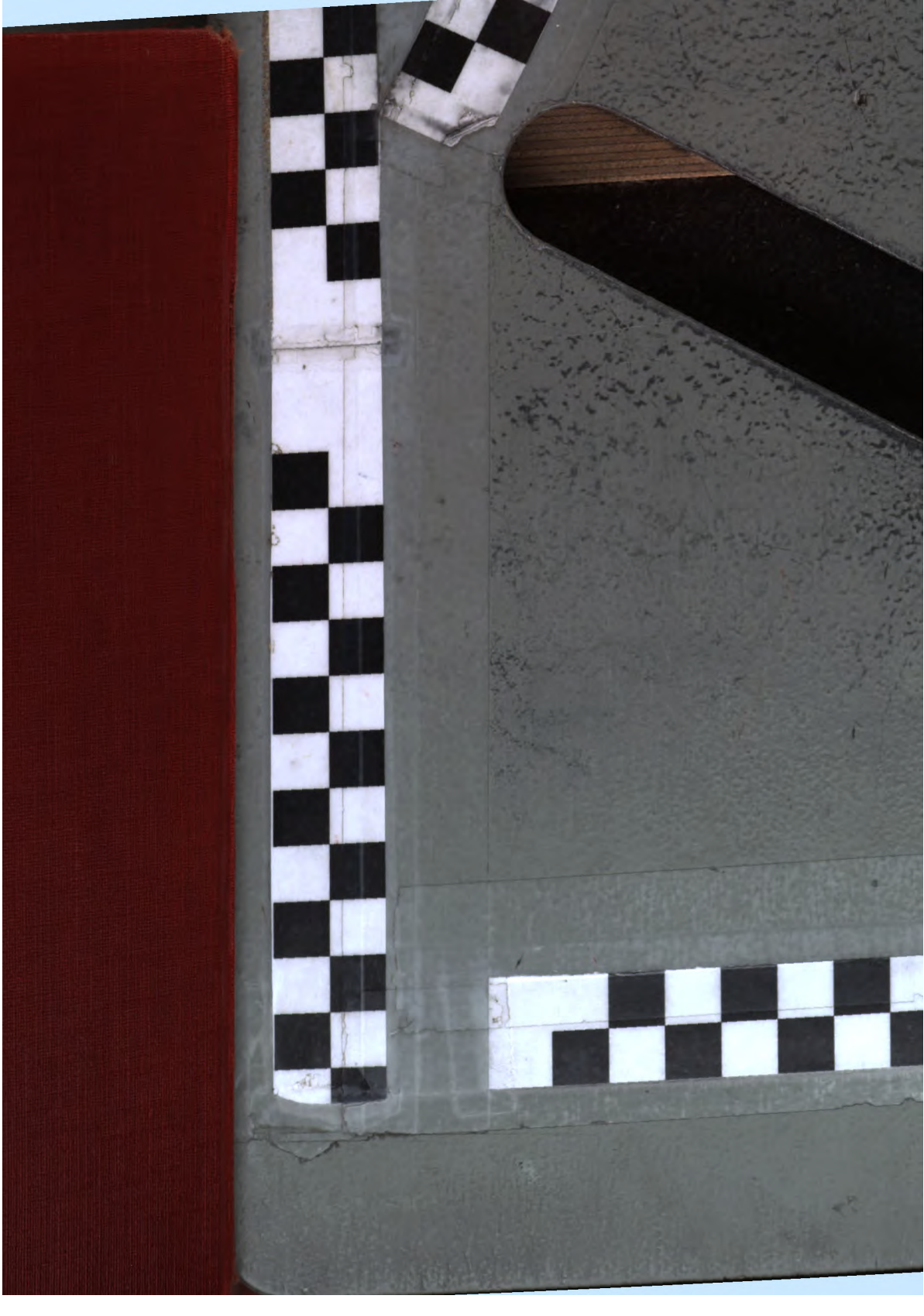
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